

# treasurytoday

research | insight | analysis

July/August 2023



## A brave new (virtual) world

Corporates are dipping their toe into the metaverse and selling their digital wares, but for many treasurers this world seems a long way off.



### The Corporate View

Marianna Polykrati

Group Treasurer  
AVRAMAR



### Women in Treasury

Karina Inga-Kamienski

Senior Director, Capital Markets  
Gilead

### Liquidity Management

Getting a better handle on liquidity

### Sustainable Technology

Why ESG needs executive level support

### Regional Focus

Which factors should companies consider?

### Back to Basics

Targeted approach to payment services

# stay connected

Join your peers in receiving the latest industry intelligence  
direct to your inbox weekly



Subscribe now:  
[insights@treasurytoday.com](mailto:insights@treasurytoday.com)

[treasurytoday.com](https://www.treasurytoday.com)

**Publishers****Meg Coates & Sophie Jackson****Head of Events and Projects****Sarah Arter****Senior Advisor****John Nicholas****Editorial****Sarah Rundell****Head of Production & Client Delivery****Samantha Collings****Digital Content Manager****Joanna Smith-Burchnell****Senior Designer****Vicky Scott****Project Assistants****Rebecca Chapman****Caitlin Duncan****Founder & Director****Angela Berry****Chair****Richard Parkinson**

Switchboard	+44 (0)13 0462 9000
Publishing	+44 (0)13 0462 9017
	+44 (0)79 3943 6343
Memberships	+44 (0)13 0462 9013
Advertising	+44 (0)13 0462 9018
Editorial	+44 (0)13 0462 9003
Production	+44 (0)13 0462 9019

© Treasury Today ISSN 1466-4224

Treasury Today is published bi-monthly  
(6 issues) by Treasury Today Limited  
Courtyard Offices • Harnet Street  
Sandwich • CT13 9ES • UK

The entire content of this publication is protected by copyright. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means mechanical, electronic, photocopying, recording or otherwise, without the prior written consent of the copyright holders. Every effort has been made to ensure the accuracy of the information contained in this publication. Treasury Today Limited cannot accept liability for inaccuracies that may occur. Where opinion is expressed it is that of the authors and does not necessarily coincide with the editorial views of the publisher or Treasury Today. All information in this magazine is verified to the best of the author's and the publisher's ability. However, Treasury Today does not accept responsibility for any loss arising from reliance on it. No statement is to be considered as a recommendation or solicitation to buy or sell securities or other instruments, or to provide investment, tax or legal advice. Readers should be aware that this publication is not intended to replace the need to obtain professional advice in relation to any topic discussed.

Treasury Today USPS: (USPS 023-387) is published bi-monthly by Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES, UK.

Subscription records are maintained at Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES, UK.

# Strength; resilience and success

This edition comes to you following the celebratory dinner in the magnificent rooms of the St. Pancras Renaissance Hotel in honour of all our Adam Smith Awards 2023 winners. These prestigious awards, scooped by top treasury talent from around the globe and now in their 16<sup>th</sup> year, are a thrilling affirmation of the vital role of treasury in corporate success and resilience. Essential in today's challenging world where just in the last few months treasury has had to navigate another spike in instability in Russia, unrest in France and interest rates cranking higher.

The consequences of which are increasingly evident for corporates – like UK utility Thames Water, an infamous example of how the cost of servicing debt is now throwing a company into crisis. In this edition, we take a timely look at how corporate treasurers are effectively managing working capital and liquidity against the backdrop of higher interest rates and fragile supply chains and find that digital technology is a vital support. Strategies like introducing an automated liquidity structure, that ensures trapped cash is invested and doesn't drag on a firm's profitability, can really help.

We've been reporting about it for years but setting up an in-house bank (IHB) remains one of the most compelling topics for our readers. This edition's Question Answered tracks the key, iterative processes behind establishing an IHB with corporates Solvay and AkzoNobel.

In our sustainability feature we explore how the maker of Malboro cigarettes, Philip Morris International, is putting sustainability at its heart by overhauling its value proposition and moving from cigarettes to nicotine alternatives. We speak to the company's Chief Sustainability Officer Jennifer Motles who says sustainable transformation is impossible without C-suite backing in a process that has many comparisons to a treasury transformation.

Elsewhere, this edition explores how corporates have never had more choice when it comes to payment methods on offer from banks and fintechs, while our Regional Focus homes in on Europe's offering as a treasury centre exploring different tax considerations and the availability of talent.

Lastly, we speak to Gilead Sciences' Karina Inga-Kamienski, Senior Director of the company's Capital Markets division. She explains why success hinges on doing a good job over and above any other factor. Only this way will colleagues truly "get to know you and your brand" allowing you to carve a reputation as someone who can be trusted to deliver and asked to work on the next project. Other advice? Echoing our mantra at Treasury Today she outlines the importance of always being kind – and understanding that you can never do it alone!



## Metaverse heralds new future for treasurers

For most treasurers, the metaverse seems a long way off but those who don't take the time to understand the virtual technology, Web 3.0 (or Web3), and all that it entails, they could risk being left behind.

### LIQUIDITY MANAGEMENT 12



## Liquidity management and working capital – a work in progress

Can corporate treasurers adapt working capital levels to disruptive external events as global supply chains continue to be challenged? Does the answer lie in digital technology?

### SMARTER TREASURY 14

## Bolstering champions' ambitions in the Middle East and Africa

Local companies in Middle East and Africa need to have the right support in fulfilling their regional – and potentially global – ambitions, with a partner that combines local knowledge with global expertise.



### WOMEN IN TREASURY 18



## Karina Inga-Kamienski Senior Director, Capital Markets



Gilead Sciences' Karina Inga-Kamienski discusses the importance of purpose, raising your hand for opportunities and why feeling uncomfortable means you're learning.

### SUSTAINABLE TECHNOLOGY



## Putting the 'C' in CSO

Companies beefing up their sustainability teams, need to ensure their Chief Sustainability Officer has C-suite backing. Without executive level support, sustainability will struggle to take root.



**BACK TO BASICS** 28

### Picking your payment battles

Competition in the payments space remains fierce, prompting traditional and non-traditional service providers to think carefully about how their offerings fit customers' business models as well as broader industry initiatives such as the G20's cross-border payments targets.



**TREASURY ESSENTIALS**

Treasury Insights	7, 11, 21 & 27
Question Answered	30
Market View	32



## 8

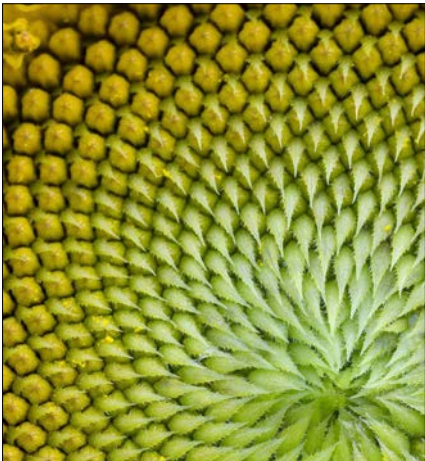
### The Corporate View

**Marianna Polykrati**  
Group Treasurer



Marianna Polykrati, Group Treasurer of aquaculture firm AVRAMAR, explains why flexibility is a critical quality for treasury professionals and how treasury can benefit from digitalisation and automation.

**REGIONAL FOCUS** 24



### Treasury centre locations in Europe

From tax considerations to availability of talent, companies need to consider a number of factors when choosing a treasury centre location in Europe.

**SMARTER TREASURY** 22

### Cash management solutions: built for today's financial challenges

From new payment rails to legacy infrastructure, plenty of issues are keeping treasurers awake at night. Fortunately, cash management solutions can help by addressing three key points of intersection.





# Metaverse heralds new future for treasurers

*Corporates are dipping their toe into the metaverse and selling their digital wares in 3D virtual worlds. For most treasurers, however, this technology seems a long way off but those who don't take the time to understand Web 3.0, and all it entails, could risk being left behind.*

Amid the talk and the buzz of the metaverse, it can be easy to forget that people have been living vicariously in virtual worlds since 2003. Second Life was the first virtual world that enabled avatars to connect with others, and live virtual lives doing fairly ordinary things like watching a film or going to a bank branch.

This was a precursor to the metaverse, which many imagine to be a virtual reality (VR) 3D experience where anything is possible. Most people, however, may not be ready for that just yet. The founder of Second Life, Philip Rosedale, said in

an interview that virtual reality headsets are like blindfolding yourself and entering a room with people you don't know.

That kind of bravery isn't commonplace and most people won't be reaching for the VR headsets just yet. But there has certainly been a resurgence of interest in Second Life since the metaverse became a buzzword, which was triggered by Facebook's renaming to Meta in October 2021. In fact, a report by J.P. Morgan estimated that Second Life's GDP was US\$650m in 2021.

With figures such as these, it is clear that there is a business opportunity with the metaverse, which J.P. Morgan estimates to have a market opportunity of over US\$1trn in annual revenues. The bank's Opportunities in the Metaverse report notes there are opportunities to transact, and US\$54bn is already being spent on virtual goods, almost double the amount that is spent on buying music. And when it comes to buying digital assets, the market capitalisation of non-fungible tokens (NFTs) is estimated to be US\$41bn. Although these products may be digital, and bought with cryptocurrencies, the money they're making for corporates is very real.

And while the metaverse still seems niche – and only a place for gamers and techies – it is moving from the fringes towards the mainstream. “It is definitely getting bigger and bigger,” says Chuck Cummings, Co-Founder and Head of Finance of Bankless Consulting. He adds that this has been accelerated by the shift to online experiences that occurred during the pandemic.

For many, however, talk of the metaverse can be confusing and many are still struggling to understand what it actually is. They often assume it requires a VR headset. Cummings comments that this common understanding of the metaverse probably stems from the first use of the term in the science fiction novel *Snow Crash* by Neal Stephenson, where the characters donned VR headsets.

So what exactly is the metaverse? Well, it depends who you ask.

Royston Da Costa, Assistant Treasurer at Ferguson, a plumbing and heating products distributor, points to a definition where the metaverse is the next iteration of the internet, and a single, shared immersive virtual space that is persistent – ie it still exists when you're not engaging with it.

The metaverse is underpinned by Web 3.0 technologies and concepts, and by some definitions, the metaverse is part of the evolution of the world wide web. Da Costa points to wider context of the web's development, where Web 1.0 was one-way traffic (a static web page that published information, for example) and Web 2.0 was two-way traffic (like Zoom calls or user-generated content that is uploaded to YouTube). The next stage of Web 3.0 moves into a different realm, one that is open and decentralised, based on blockchain technology where digital assets are tokenised and traded for cryptocurrency, all made possible through decentralised finance.

Some definitions of the metaverse go broader and encompass these Web 3.0 (or Web3) technologies that make interacting and transacting in this world possible. Gaurav Gopinath, Head of Legal at Bankless Consulting, a firm that specialises in Web3 consultancy, comments, “Web3 is not just the metaverse, and the metaverse is not just Web3.” He comments there are many definitions of the metaverse out there and it does not have to involve virtual reality. He applies a broader definition of spaces where the real world touches the virtual. This could be gamers playing Roblox games and spending real money, which has been converted into a virtual currency, for example. “The metaverse blurs the lines between virtual and reality,” Gopinath says.

The metaverse can be a virtual world where people interact and transact. What makes the metaverse distinct from Second Life is the virtual economy that is being created through the sale of digital assets. Individuals are living out economic lives through

their avatars and amassing assets – and buying property – all of which creates huge opportunities for corporates.

While buying goods in a virtual world may not be new, what is different – and significant – is that the virtual worlds of the metaverse are interoperable, and it is possible to take your assets from platform to platform.

It can be easy to dismiss the trading of virtual products – such as NFT art selling for millions – as speculative hype. Could buying shoes that don't actually exist in the real world be akin to overspending on tulips at the height of the Dutch Tulipmania bubble in the 17<sup>th</sup> century?

Not necessarily. Cummings explains the significance of owning such digital goods. Many consumer brands are creating digital versions of their products – such as Nike trainers – and selling them for real money. The owner is then given digital proof – the token – that they own that particular pair of trainers. Why would someone spend a relatively large amount on such trainers? For the same reasons they do in the real world, explains Cummings. “Humans have a basic need to express their status, compare themselves to others and show off their wealth or uniqueness. People do this online just as much as they do in the real world,” he says.

Why this is significant in the metaverse, explains Cummings, is that previously gaming and social platforms were not compatible – it is not possible to take your Facebook friends to Twitter, for example – and if you bought something on one platform, you couldn't take it to another. Now with crypto, and the underlying layer of all these virtual worlds, you can prove digital ownership of something in all these virtual worlds.

A metaverse report by Deutsche Bank outlines how this could work in practice. A retailer, for example, could drop an NFT to a customer's wallet as a reward, which allows their avatar to wear a jumpsuit in the metaverse. And the customer could redeem the reward for a physical jumpsuit to wear in real life. That jumpsuit could carry a chip that is linked to the NFT and allows the retailer to see where its garment is being worn and when; if this customer is an influencer, for example, they could be sent more rewards.

Consumer brands have already been doing this kind of thing and launching products and services specifically for the metaverse. Fashion brand Zara, for example, released its Lime Glam clothing collection for avatars in the Zepeto virtual world in 2022. In commenting on this news, fashion magazine noted, “We are living in a world where what we look like online is becoming just as important as our IRL [in real life] appearance.” Zara also released virtual nail polish for avatars to wear with the new clothing line.

Entry into the metaverse can be for a number of reasons, notes the Deutsche Bank report. The jumpsuit example could be a promotional exercise that enhances a customer relationship and loyalty to the brand. And the Zara collection example is a way to create a new revenue stream for the retailer. Alternatively, a company could enter the metaverse to create a new channel for communication, such as a bank opening a branch in a virtual world.

Virtual technology is fast catching on, and companies are already applying it to enhance their existing offerings. Da Costa points to tools such as Matterport 3D virtual viewings that allow real estate agents to conduct virtual property viewings. Seizing



## Accounting is a new kind of challenge for this space.

Chuck Cummings, Co-Founder and Head of Finance Bankless Consulting

such opportunities requires a shift in thinking for companies, and an awareness of the potential of such technologies. Part of this is being open and forward-thinking. Da Costa illustrates this kind of approach with how his company Ferguson was able to adjust to the pandemic. When lockdowns occurred, the company was not thrown into disarray because it had already done its thought exercises – and business continuity planning – and had already prepared for an eventuality where its employees would have to work from home. Although at the time no one predicted there would be a pandemic, the company's preparedness meant it was able to adapt quickly.

When it comes to the metaverse, Da Costa says that the technologies and the possibilities are not really touching treasurers' world, unless they work for gaming companies or businesses that are directly operating in the metaverse. He argues, however, that treasurers need to wake up to the possibilities because of the pace at which the technologies – and applications – are developing. Treasurers need to be aware and be prepared, he says. "There is not a magic pill that anyone can take. What we can do is make sure that you are suitably equipped," Da Costa comments.

When dealing with the kind of future that the metaverse heralds, there may be a shift in thinking required by treasurers. Cummings explains that the major difference with the metaverse is the use of cryptocurrency, which is required for processing any transactions. This can be a steep learning curve, and it is becoming increasingly difficult in the context of regulators taking harsher action, such as the charges that the Securities and Exchange Commission filed against crypto exchange Binance in June 2023. This is making it harder for people to acquire cryptocurrency and to buy and sell digital assets, says Cummings. Also, it is becoming harder for businesses to get accounts that link to crypto exchanges because of the compliance burden on banks in the face of regulatory pressure.

Another challenge for treasurers, which is different from how traditional treasuries are run, is with the accounting. "Accounting is a new kind of challenge for this space," says Cummings. He explains that because crypto is usually volatile, it can be difficult to account for its value when it is changing so frequently. Although there are software solutions in the market, it can still be difficult to integrate them for the purposes of tax reporting.

As the legal expert at Bankless Consulting, Gopinath makes a broader comment that the rules – both accounting and legal – have been set up for the traditional way of doing things. One concern is that with applying old rules to a space like the metaverse, it runs the risk of hampering innovation and holding back progress, he says.

Companies have the opportunity to buy and sell digital goods in the virtual worlds of the metaverse. And they also have the chance to apply the technologies – such as VR and headsets – to new ways of working.

On the practical side of what the metaverse could mean in the course of a working day, Da Costa points to the development of working practices from the pandemic and how many working patterns have adjusted to the virtual world. This, Da Costa believes, falls into the realm of the S of ESG [environment, social and governance] whereby the S – social – can be about creating working practices that are flexible, for example. He argues that the younger generation that is now coming into the workforce is not willing to compromise on flexible working, and also prioritises their mental health.

With flexible and hybrid working policies – eg two days in the office – there is more potential for employees to get immersed in the metaverse. If you take a loose definition of the metaverse – where the virtual and the real collide – then even Zoom calls are in the metaverse. And if you take a definition where the metaverse involves virtual reality, that Zoom call can take on a different dimension with a VR headset on. Zoom calls could then feel like you are in the same room as your colleagues. Or you could have a meeting on the beach in the Bahamas, or an office on Mars – whatever takes your fancy.

Another application of virtual technology, explains Da Costa is with digital twins. This technology creates a virtual representation of something that a company has created or has an interest in, such as a city, a financial system or a complex product. A digital twin is created, which can then be stress tested. In theory, a digital twin could be created of a corporate's treasury operations and then tested with different scenarios, such as a natural disaster, oil price shock, supply chain disruption and so on. This could be really valuable to treasurers, says Da Costa, as they will be able to visualise – in real time – what would happen to their cash balances in such scenarios. "Seeing things is so much more memorable and powerful," he says.

In the face of such new and powerful technologies, the discussion can focus on how humans are becoming disconnected from each other, or may become unnecessary and irrelevant in their current roles. This is not how Da Costa sees it, however. He doesn't think that avatars, virtual worlds, AI and machine learning are replacing the need for humans, or the human experience. Rather, he believes such technologies help foster effective communication with colleagues in the virtual world, and then free up time for treasurers to build relationships and connect in the real world.

Treasurers who are thinking of getting involved in the metaverse would still be in the early stages of the technology adoption curve (the model that consultancy Gartner outlines as having five stages: innovators, early adopters, early majority, later majority and laggards). Cummings argues that with the metaverse we are still in the early adoption phase. He urges everyone to dip their toe in and understand how it works. He cautions that things won't always work as expected, everything won't be fully robust, but that is part of the process of understanding a new technology in the early stages of the adoption curve. By the time everybody else jumps on board with the metaverse, it may be too late for some to get properly involved.

And Da Costa's advice to treasurers about the metaverse? "Embrace it, but don't forget the basics – you need to be fully versed in the fundamentals of treasury management," he says. And finally: "If you are not prepared to move you will get left behind." ■





## COMPANIES FAIL TO SEE THE BUSINESS CASE FOR ISO 2022

*A recent survey from the International Securities Services Association (ISSA) shows ISO 15022 remains the most widely used standard in the securities services industry. Respondents to the survey claim to be struggling to form a clear business case for adoption of ISO 2022 and it seems the securities industry is not alone.*

According to the ISSA, the securities industry is struggling to form a clear business case for adoption of ISO 2022. The industry needs to understand the barriers to activation between capable players in more depth, and what it takes to see some leadership activate the use of ISO 2022 communication exchanges among firms that have this capability.

They are not alone, according to Naresh Aggarwal, Associate Director, Policy and Technical, Association of Corporate Treasurers, UK. “We are not seeing everyone running toward a deadline but a natural evolution of the standard,” said Aggarwal. “It will pick up pace as more people understand how to implement it, and as more systems and migration tools will become available. For a lot of treasurers, ISO 2022 is just too conceptual. As it becomes more widespread and recognised, people will not want to be behind the pack. But adoption will be a bell curve.”

Most members, apart from the financial corporates, do not see ISO 2022 as a priority. “For a lot of treasury teams that have low volume over treasury banking apps, the ability to track and enhance payment information isn’t critical,” he said. “Part of the challenge with ISO 2022, is people have got used to the way payments are. They are used to the delay in the way payments are processed and the attitude is, ‘If it isn’t broke, don’t fix it.’”

While there is growing appreciation for the benefits of ISO 2022, Aggarwal argues most treasurers have a list of more pressing issues. “The cost of implementing is expensive, and people are not keen to touch data systems, because if you get it wrong, you make customers very angry,” said Aggarwal. “People need to be confident they are not going to ruin anything and they are getting something better. I do think it is important to have a degree of education in the corporate space to make sure people are aware of what it is, what the use cases are and the benefits of it.”

A hybrid system, where ISO 15022 and ISO 2022 co-exist, seems likely to be the reality for the next few years. The ISSA highlights the need for co-maintenance, whereby industry changes are made applicable to both messaging formats. The survey reports the securities services industry is unlikely to see any material growth in ISO 2022 in the next five years.

“A lot of organisations have moved to accept payments on the new standard, but in certain aspects they are still generating payments on the old standard,” said John Carey, MD of AArete. “If you look at the securities side of treasury-based capabilities, they have a huge amount of complex product structure. They often have multiple payments legs on the back of them and they will be at the back end of the adoption life cycle.”

The report finds Europe is ahead of other regions in its action around ISO 2022, however questions whether these investments in the EU will prompt other jurisdictions to follow suit – according to the report, custodian banks are not reporting any demand from their end customers. ■

Our weekly Treasury Insights digital newsletter examines topical events and trends affecting the world of treasury and includes our news digest with links to other treasury and finance related news. Treasury Insights offers a pertinent viewpoint on the issues that treasurers are, and should be thinking, about today. Sign up now – [subscriberservices@treasurytoday.com](mailto:subscriberservices@treasurytoday.com)



## Making waves

**Marianna Polykrati**  
Group Treasurer



AVRAMAR was born in January 2021, when four leading companies Andromeda, Nireus, Selonda and the fish feed company Perseus, joined their collective expertise into one unified company. Today, AVRAMAR is the biggest aquaculture company in the European Union operating across the Mediterranean from Greece in the east to Spain in the west, and offering a wide species portfolio consisting of Sea Bass, Sea Bream, Pagro Maggiore and Corvina. Its vertically integrated value chain provides full traceability and ensures superior quality of every fish, from egg to plate. With an annual production of around 80,000 tonnes of fish per year, and exports to customers across 40 countries, AVRAMAR is an employer of around 2,300 people, with annual revenues of approximately €500m.

---

*Marianna Polykrati, Group Treasurer of aquaculture firm AVRAMAR, explains why flexibility is a critical quality for treasury professionals, how treasury can benefit from digitalisation and automation, and why the transformation of the CFO's role is opening up new opportunities for treasurers to become strategic partners within the organisation.*

Today, Marianna Polykrati is a highly experienced treasurer with an impressive career history which includes roles in the banking sector, as well as key treasury roles at several major Greek food companies. But while Polykrati is passionate about the opportunities and challenges that come with a career in treasury, the world of finance wasn't always on her radar. Polykrati originally considered careers in medicine and psychology, but it was when exploring alternative options that she found that corporate finance was a much better fit for her skills and interests.

"This was one of the best lessons I've had in my life – realising that you have to be flexible and constantly investigate alternatives that might suit you better," she comments. "This has helped me in my career as a treasurer as well, because when you're in a tight situation you have to be able to think outside the box and consider a wide range of options, rather than focusing on one single solution."

After completing a degree in accounting and finance at the American College of Greece, Polykrati moved to the US to do

a master's degree in finance at the Boston College Carroll School of Management. "And when I came back, I was ready to start exploring a career in corporate finance," she recalls.

Like many other finance professionals, during the period, Polykrati's career began with a focus on the banking sector. Her first role was that of relationship manager at Emporiki Leasing, where she worked with medium-sized Greek companies that ranged from small retail stores to large manufacturing plants.

"During that time, I familiarised myself with the criteria that banks used for financing corporates," she says, noting that this is very critical when operating as a treasurer today. "Next, I explored venture capital, learning more about how investors evaluate companies and enter and exit investments."

Working for Emporiki Venture Capital, Polykrati was responsible for projects in Cyprus and Russia, as well as restructuring Greek companies. Her role included overseeing the complete cycle of investments from deal flow generation and preliminary screening to due diligence coordination and exit formulation. Subsequently, however, Polykrati decided to make the leap from a career in banking to the world of corporate treasury. "In the corporate world you are in the heart of the real business, with production, people and facilities," she observes.

Polykrati says she felt very strongly about making this move, which has proved instrumental in shaping her subsequent career. "I switched to the corporate side, and I've now been in treasury for 16 years," she says. "And every year, I am still learning new things, which means my job is never monotonous."

## Embracing M&A and corporate restructuring

Starting as an assistant to the general manager for a small corporation, focused on accounting and bank relationship management, Polykrati later joined the major Greek food group Vivartia, which was formed in 2006 by the merger of Delta, Chipita, Barba Stathis and Goody's. "I was involved in the merger process that involved bringing together all these different entities and cultures, supporting a lot in the transformation," she recalls.

During her time at Vivartia, Polykrati's focus was on financing new acquisitions, strengthening the company's cash and liquidity management, as well as exploring capital markets funding and improving risk management. At a later stage, and after another corporate restructuring involving the demerger of all the entities, the task changed to redesigning the group treasury function and training and educating the four new entities to be more autonomous in cash and liquidity management, corporate financial management, capital markets funding and risk management and controlling, while optimising treasury activities across those areas.

Corporate restructuring has been a recurring theme in her treasury career: "I have managed to be involved in a lot of corporate restructuring during my time in treasury. M&A is one of the areas that intercorrelates a lot with treasury, and treasurers can really add value and make a difference."

## Embracing new challenges

Following the demerger, and the split of Vivartia's operations to its original form, Chipita was sold back to its previous

shareholders in 2010. "I remained at Vivartia initially, but three years later I joined Chipita," says Polykrati. The Greek confectionary company specialised in selling packaged croissants and other snack brands, with a presence in over 50 countries. As Group Treasurer of Chipita – a role that she held for nine years – Polykrati was responsible for the group's capital structure and liquidity management, including financing arrangements, managing foreign exchange risk and coordinating cash management across the group.

Polykrati's other responsibilities at Chipita included ensuring compliance with the relevant regulatory, legal and tax frameworks, managing overseas trade financing activities, and evaluating and implementing supply chain finance and trade finance projects.

In 2022, when Chipita was acquired by American multinational food giant Mondelez International in a US\$2bn deal, as the treasury function became centralised, Polykrati decided to take the opportunity to have a sabbatical. "I was initially planning to stay out for one year, but as it always happens when making plans, it was cut short because I had some very interesting proposals," she recalls. "Several opportunities actually came up, but the most challenging and interesting role came from AVRAMAR."

In particular, says Polykrati, she was interested in continuing to work in the food sector and aquaculture was a good fit, particularly as it is a sector she feels that Greece should be developing. "I believe that Greece needs to continue growing and developing in the field of agriculture and aquaculture, as this is something that Greece has quality products to offer, alongside with tourism and shipping," she comments.

Nevertheless, she also points out that aquaculture is a challenging sector to work in. "The role also reminded me of my early time in Vivartia, because AVRAMAR was created with the merger of companies. We have a great mixture of people and cultures, with new ideas coming into the group and doing some fascinating things."

## Harnessing digital opportunities

In April 2023, Polykrati joined AVRAMAR as the Group Treasurer. The company's treasury team consists of 13 people located in Greece and Spain. Within the company, treasury is responsible for cash management, liquidity management, debt management, accounts payable and accounts receivable.

Today, says Polykrati, the focus of the treasury is on reorganising the department to improve the way that treasury works, while also increasing the strategic role of the department within the organisation. "The areas that I'm focusing on today, alongside capital structure, are debt management, cash management, improving costs, supply chain finance and in general finding other areas of improvement," she adds.

At the same time, there is a significant focus within the company on using technology to improve and automate treasury's day-to-day activities, for example with the use of treasury management systems and cash flow forecasting tools. Polykrati notes that modern treasury management systems offer a lot of solutions for treasurers looking to streamline their day-to-day activities, while data analytics are also playing a key role in enabling treasurers to collect and

use data in a more meaningful way, for taking more strategic decisions and adding value to the company.

“Technology is not only having a TMS or cash forecasting system – there is also the option to use APIs that connect directly with the banks to receive all the data,” she explains. “And with data analytics tools, you can then start to see the behaviour and patterns that will help you prepare your cash flow forecast.” Nevertheless, says Polykrati, “all these tools are efficient and reliable as long as you keep a well-maintained ERP.”

In general, says Polykrati, treasurers often find it difficult to gain buy-in for digitalisation projects within their organisations, typically for two main reasons. “Firstly, only a few really comprehend what treasury does due to the role’s specialised nature. Then there is the question of convincing people of the need to digitalise activities.”

Fortunately, she says that AVRAMAR has proved very proactive when it comes to understanding the need to digitalise cash management and cash flow forecasting. “We are currently evaluating this, and one of our next projects will be to digitalise and automate treasury.” This may include the use of APIs to improve and speed up bank connectivity, as well as using technology for cash and risk management.

## Facing down challenges

The last few years have brought more than their fair share of challenges for treasurers around the world, and like many of her peers, Polykrati cites risk management as one of the most significant challenges she faces in her role. “Knowing how to manage risk effectively is an ongoing challenge,” she notes. “It’s important to understand where interest rates are going, and how you can minimise your borrowing costs when interest rates in Europe are rising. Then there are FX fluctuations and the increases in raw materials and commodity prices due to the extraordinary circumstances we’ve seen over the last three years globally, from COVID to the energy crisis. So for sure, trying to manage financial risks is one of the things that keeps treasurers awake at night.”

In addition, says Polykrati, safeguarding cash flows in this unstable environment is always a major challenge, as is the growing concern about counterparty risk – not least because of the effects of the recent turmoil in the banking system following the failure of US banks Silicon Valley Bank and Signature Bank. “Checking on all the positions and bank exposures that you have is particularly important in times of uncertainty,” she adds.

## Role of the treasurer

Where the role of the treasurer is concerned, Polykrati says that in recent years, “things have changed a lot, from being an accountant – a cashier, as it is sometimes described – to having a much more strategic role.” She argues that one of the reasons for this shift is the fact that a lot of CFOs are transforming their own roles while more specialisation is needed within organisations, especially for handling risk factors, which is “creating much more space for the treasurer to transform as well.”

At the same time, says Polykrati, treasurers are increasingly being invited to join executive committees and advisory boards within their companies. “I think the fact that we are

able to evaluate the risk of a project as a board member means that treasurers have a valuable role to play here.”

Alongside the transformation of the CFO’s role, Polykrati notes that treasurers are increasingly responsible for leading different types of transformation. Blockchain, though quite complex and ambiguous in its use, still needs to be investigated and regulated prior to being a tool for treasury, but it does have the potential to help simplify several aspects of treasury operations. Digital transformation is one – and in addition, Polykrati highlights the role treasurers are playing in advancing the focus on ESG and sustainability within their organisations.

“We hear a lot about sustainability and about ESG,” she reflects. “I believe treasurers are the ones that first took a lead in focusing on the impact of ESG coming from the market and from financial institutions. We started to build checklists of how our companies are engaging in ESG and sustainability. And now, with the growing focus on ESG financing, we are taking the lead here as well.”

Indeed, sustainability is a key focus for AVRAMAR. Polykrati says: “We adhere to a business strategy that is committed to using sustainable and responsible aquaculture practices. This commitment is to our customers, our community and our planet. We systematically implement policies developed for the purpose of sustainable development, enhancing the social, governance and environmental awareness and responsibility of our employees and, indirectly, other stakeholders. In this way, we embed sustainability in how we do business.”

## Building networks and embracing downtime

Beyond her role at AVRAMAR, Polykrati is also a board member of the Hellenic Association of Treasurers (HAT), a professional association formed in 2020 for treasury professionals and related professionals in Greece and abroad. “We are counting 185 members today, out of which 75% are located in Greece, and the remainder work outside of Greece – predominantly in the UK and the Netherlands,” says Polykrati.

She notes that the initiative has proved successful in creating a professional network for its members and enabling the treasurers of Greek corporations to share ideas and gain insights from their colleagues overseas. HAT also provides a range of training and education opportunities, as well as holding annual summits with expert speakers in Athens. “It’s a great initiative that I believe will benefit treasury professionals for years to come, and I’m glad to have been amongst the first to get involved,” Polykrati comments.

She adds, “As I was lucky in my professional career and had mentors myself, mentoring young professionals, students in universities and high schools has been, and shall always be, one of the areas in which I enjoy spending a lot of my free time as well.”

Last but not least, while much of her time is taken up by professional commitments, Polykrati nevertheless emphasises the importance of downtime and relaxation. “When I’m off duty, I enjoy playing tennis and taking part in athletics and exercise,” she comments. “I also enjoy socialising with friends and colleagues from my professional network – those two things help a lot when it comes to striking a balance and relieving oneself from the work stress.” ■

## WHY PAYSAFE AND PAYONEER GAVE A SWAGGER TO THEIR TREASURY FUNCTION

*You can't build a great company by having a great treasury – but it's possible to destroy a company with a bad treasury. Panellists at Money20/20 discuss the role of treasury in supporting companies in growth mode.*

At global payments solution provider PaySafe, the importance of the company's treasury function working in lockstep with the wider business became apparent when the group was in the process of buying a new building. Speaking to delegates at Money 20/20 in Amsterdam, Steve Delpy, Chief Banking Officer at the PaySafe Group said the purchase was suddenly put in jeopardy because of a scarcity of liquidity in the company. "The business was profitable, and we had the cash, but there was a disconnect between the activities of the company and the business function."

In another story from the frontline, fellow panellist Jody Perla, Managing Director, Global Banking and Payment Infrastructure at financial solutions and payments group Payoneer, said the importance of the company's treasury and finance teams working together in the decision-making process was underscored when Russia invaded Ukraine. The company had to work quickly to ensure its Ukrainian customers could still run their businesses during the war, making sure funds were available. In many ways war in Ukraine shifted the role of treasury at Payoneer from outlier to playing a central role in building a scalable platform for the future, she said.

Companies in growth mode, adding new customers and introducing new product lines, often don't have a well-defined treasury function. But there's an inflection point, after which the most sustainable way to grow a business comes via a vibrant treasury, said fellow panellist Priyanka Rath, Managing Director at J.P. Morgan, who advises corporates on how to bring treasury into their core business function.

The cost of doing business has grown more expensive, raising questions around how to fund products and ensure the best value; a treasury can make strategic decisions that support growth and bring sponsorship from the top, she continued. Treasury needs to come out of the back office into the open, speak the same language as the rest of the business, and develop a proud swagger.

"Much of the role requires people understanding what treasury actually does," Rath explained. "It's not just a department that says no or called upon when people want cash. More companies are bringing their treasury function to the forefront as an active voice influencing business decisions, a far cry from the retro back office they used to be. We are seeing more companies champion treasury, and this is a welcome change – where treasury is at the forefront of driving transformation from within."

A common disconnect is found between the sales and business development functions. For example, sales teams increasingly come up against prefunding and liquidity challenges. Treasury must be part of this conversation, said Delpy. "There are ways to bring funding and liquidity to a deal and often the sales team is unaware of treasury's knowledge. It's about turning treasury from back office into being a business enabler."

The current macro environment should also encourage treasury to come to the fore. Higher interest rates are a chance for treasury to support a business generate returns, reduce debt and support capital management. In an environment of reduced liquidity, controlling cash is paramount. Moreover, panellists said treasury quickly pays for itself. For example, a company without a treasury function relies on banks and incurs charges for handling its cash. "Treasury is a function that pays for itself," said Delpy.

An integrated treasury function can also support companies around compliance and risk. "Very few people have a holistic view of the cost of running a business," said Perla. But treasury can help tie together the cross-border component around payments and opening bank accounts with the regulatory environment. Treasury can guide a company strategically, advise if it should work with its existing bank or a new bank; where there are economies of scale and how to execute successfully.

Panellists discussed the role of treasury in acting as a business enabler rather than simply a control function. Making treasury relevant to the rest of the organisation is crucial and ensuring treasury can deliver by increasing margins. Treasury should ensure the rest of the business knows and understands what it does, get rid of financial jargon and use the right language to make it simpler for people to partner with treasury and enable teams to complete deals. "Treasury needs a swagger. I can make strategic decisions," concluded Rath. ■

# Liquidity management and working capital – a work in progress

*In an environment of rising interest rates, economic slowdown and fragile supply chains, corporate treasurers have challenges in effectively managing working capital and liquidity. Digital technology may be the answer.*

In April, the International Monetary Fund (IMF) predicted a pronounced slowdown in economic growth in advanced economies, falling from the 2.7% recorded in 2022 to an estimated 1.3% in 2023. The baseline forecast for global economic growth is 2.8% in 2023 and 3% in 2024. There are myriad headwinds for the global economy, including rising inflation and interest rates, elevated public debt to GDP ratios (a legacy of the COVID-19 pandemic) and supply chain disruptions and geopolitical tensions.

PwC's Working Capital Study 21/22, states that the COVID-19 pandemic exposed the slow reaction of supply chains to external shocks, leading to a significant rise in net working capital (NWC) days. "This lack of agility in adapting working capital levels to disruptive external events is a concern as we face continued challenges in the global supply chain," the report states. "The heightened complexity and lack of visibility over most supply chains also mean that the move from 'just in time' to 'just in case' planning in order to manage supply risk may bring further working capital challenges. That is why 65% of executives in our survey named working capital efficiency as the main objective for change management and restructuring activities."

Timothy Bartlett, Liquidity and Investment Products Director, Global Payments Solutions, HSBC, says post-pandemic, corporate treasurers have focused less on liquidity concerns, such as the stockpiling of cash, and more on addressing issues in the supply chain, such as navigating the impact of supply chain hold-ups including lessened supply and higher prices.

Henrik Lang, Head of Global Liquidity in Global Transaction Services at Bank of America, says some of the working capital issues that arose during the pandemic have been addressed "but not all, as we saw following the stress in the US regional banking sector and the uncertainty around the debt ceiling. There are more liquidity strategies that could be considered to manage through disruptive external events."

Andy Schmidt, Global Industry Lead – Banking at CGI agrees. "Many corporate treasurers are still working through the issues the pandemic caused. These issues have been further complicated by inflation and higher interest rates along with real-time payments. We tend to forget the importance of working capital and liquidity management in a real-time environment," he says.

Corporate treasurers are looking to pay as late as possible to maximise their own interest income and minimise the working capital they need to use to meet certain payments. It is a case of "earn as much and pay as little as they can," he says. This creates a dynamic on the bank side of trying to support

corporate treasurer clients that on the one hand make the bank money, but on the other, cost them money, he adds.

An issue raised during the NACHA payments conference in the US during April this year was visibility in payments systems, says Schmidt. "Payments are increasingly made in real time, but banks' accounting systems are run looking at information that is hours old. Corporate treasurers have an appetite for real-time account updates. They want to see where their liquidity is and be able to do something about it, such as move credit or sit on certain payments."

Another theme that emerged from the conference was the idea of integrating accounts payable and receivable to build intelligence into payments systems. This will enable corporate treasurers to decide which payments to make and when, says Schmidt. "It is all about visibility, and some corporate treasurers are closer to this than others."

Lang agrees that visibility is an important goal for corporate treasurers. "On the plus side, the pandemic led to an exponential adoption of digital payment tools, giving corporate treasurers greater visibility into their liquidity and ability to mobilise cash more easily to satisfy working capital needs."

However, he adds, the market stress in the first half of 2023 revealed to many corporate treasurers that they needed to review and update their investment and counterparty management policies. "Some of the more common policies include implementing exposure limits to certain investment types or counterparties, and shortening or extending the tenor of investments," he says.

Peter Dehaan, Head of Business Development, Cash and Liquidity Management, SmartStream Technologies, says intraday liquidity is now "front and centre" of discussions the company has with its bank treasury clients. "Prior to the collapse of Silicon Valley Bank intraday liquidity management had been de-prioritised by banks. Now it has been re-prioritised."

Silicon Valley Bank – the largest bank by deposits in Silicon Valley – collapsed in March 2023, and marked the second largest bank failure in US history after Washington Mutual's collapse in 2008. Dehaan says US regulators are likely to tighten regulations following the collapse, putting more focus on stress testing and the availability of liquidity and the different pools in which it can be trapped.

"Many banks in the US in particular are managing a significant amount of transactions on Excel spreadsheets and this should not be done on Excel," says Dehaan. "There will be costs involved in moving away from spreadsheets, but by doing so,

bank treasurers will find themselves in a more comfortable position that gives them greater visibility over liquidity. They will be working with actuals, rather than projections. In a rising interest rate environment, they will be more informed about where to place the right amount of liquidity at the right time.”

Now, more than ever, says Bartlett, the key driver for managing working capital is ensuring access to the cheapest sources of funding with utilisation of a corporate’s own funds being the most efficient. “Managing the working capital cycle is a balancing act at the best of times, but more so in a high interest rate environment and where supply is limited. This is because it is difficult to accurately forecast payables and, consequentially, receivables if there is uncertainty around production of finished goods due to interrupted supply of raw materials. The ability to utilise self-funding, combined with accurate cash flow forecasting, is essential.”

Lang says in the current economic climate there are three main challenges for corporate treasurers in effectively managing working capital and liquidity: gaining intraday visibility of liquidity positions, accurately forecasting working capital needs and efficiently mobilising liquidity. “With regards to visibility, having intraday visibility of global cash positions is always a challenge, especially if liquidity positions are spread across multiple bank providers, currencies and geographies,” he says. “In the current climate, the cash flow forecast needs to be dynamic and be able to support a wide range of market scenarios including broad based market stress. Finally, on mobilising liquidity, getting liquidity to the right place at the right time at the lowest possible cost is a challenge especially for corporations managing working capital needs across multiple legal entities, geographies and currencies.”

Digital technology is playing an increasing role in helping corporate treasurers to get a better handle on their working capital and liquidity management. CGI’s Schmidt says digitising processes gives corporate treasurers greater command and control over liquidity and working capital, enabling them to be more proactive in finding funding when it is required. “When a corporate treasurer is pressed for cash, he or she wants to be able to identify which primary relationships they need to maintain and whether there are payment discounts they can take advantage of, for example,” he says.

HSBC’s Bartlett says the real-time forecasting, payment functionality and receivables reconciliation that the latest digital technology offers, enable treasurers to stay ahead of potential issues such as funding gaps, lack of liquidity and monitoring of accounts receivables. “In turn, digitisation enables corporates to have the ability to tactically adapt their strategy quickly and in fast enough time to circumvent a major issue. This is a luxury that customers were not afforded in the era of manual instruction and paper reconciliation,” he says.

Lang notes that there are more digital technologies available to corporate treasurers “than ever before”. These technologies include application programming interfaces (APIs), mobile applications, machine learning, predictive data analytics and artificial intelligence. “APIs have significantly reduced the cost and implementation timeline of system integration between bank providers and clients, for example,” he says. “Also, app-based mobile banking applications give corporate treasury teams on-demand payment and liquidity capabilities that they also enjoy in other areas of their life.” Finally, he says, machine learning and predictive data analytics can make cash flow forecasts more dynamic and accurate.

Bartlett says an ideal working capital and liquidity management set up will be largely dependent on a range of factors, including industry segment, size of the business, number of markets and customers involved. “Whilst there are industry benchmarks, there is no hard and fast rule for any one corporate,” he says. “Moreover, the ideal working capital set-up is constantly changing dependent on both internal and external factors. Generally speaking, it is prudent to achieve the right level of payment terms with suppliers in the context of a suitable credit period without pushing up costs, whilst ensuring customers are given enough time to pay at a price that is affordable, but ensures account receivables are timely enough to meet account payable obligations.”

For the treasury department to manage working capital and liquidity management efficiently, they must be able to rely on the right information from their own enterprise resource planning and treasury management systems, as well as input from their banking partners and the rest of the organisation. “Significant restructuring suggests a ‘Big Bang’ approach and that is normally a hard sell at a Board level because of the expected associated costs and complete overhaul of technology and systems which are not easy to implement whilst maintaining business as usual. An incremental change might solve for all of the above, but of course it takes longer to realise the overall benefits.”

Lang agrees that an ideal set up will depend on many client specific factors including corporate financial goals, funding needs, corporate structure and risk appetite. However, there are at least two common characteristics that apply to most ideal liquidity management set-ups, he notes.

First is a high level of automation – physical cash concentration and notional pooling structures are often favoured by corporate treasurers as they allow a high level of automation, reducing cost and the likelihood of human error. Second is flexibility and control. “Market conditions can change quickly; therefore the best liquidity structures offer corporate treasurers configurable features that they can manage via digital tools. For example, they can add, cancel or modify physical cash concentration relationships, adjust intercompany borrowing and lending rates.”

Some treasury departments are making small, incremental steps towards their target state liquidity structures. More established, sophisticated treasury departments already operate a highly efficient liquidity structure, he says. “However, regardless of their size or evolution, all companies realise the cost implications of an unfunded overdraft in the current interest rate environment. Likewise, trapped cash that stays uninvested overnight can be a drag on firm profitability. Therefore it is critical to have a highly automated liquidity structure in place such as an automated overnight sweep.”

All companies should have plans to implement a longer-term liquidity structure, he adds, but trying to achieve too much too quickly can result in significant costs and resource challenges. “A more practical approach would be to gradually introduce changes in smaller increments and realise benefits early. For example, corporate treasurers could start by initially focussing on a few accounts or entities. Alternatively, they could consolidate large currency pools that can be easily mobilised and invested to enhance yield. Another idea would be to prioritise and add those legal entities and accounts to the automated sweeping and notional pooling structures that are frequently overdrawn due to their working capital needs.” ■

# Bolstering champions' ambitions in the Middle East and Africa

*Local companies growing in the Middle East and Africa need to have the right support in fulfilling their regional – and potentially global – ambitions. Two treasury experts from Citi explain the region's potential, what the needs of such companies are, and how the bank successfully combines its on-the-ground presence with global knowledge to enable such companies to become emerging market champions.*



**Steve Buonvino**  
Treasury and Trade Solutions  
Corporate and Public Sector  
Sales Head,  
Middle East and Africa



**Marek Potoma**  
Treasury and Trade Solutions  
Co-Head Middle East  
and Africa



The Middle East and Africa region has given rise to a number of global companies and increased connectivity in the region means many more are set to follow. Energy companies, airlines and ride-hailing super apps have blazed a trail and are examples of the explosive growth that is possible for companies from the region.

The next wave of emerging market champions will benefit from several factors that are helping intra-regional growth. In addition, those with the right treasury strategy in place will be able to scale much more effectively in the Middle East, Africa and beyond.

Steve Buonvino, Treasury and Trade Solutions (TTS), Corporate and Public Sector Sales Head, Middle East and Africa for Citi, explains how the region holds many opportunities. Africa, he points out, is the fastest-growing continent in the world, with potential that springs from it also being the second-largest continent in terms of its land mass as well as its people. Its land is resource-rich and its population young, he adds.

## Increasing intra-regional cooperation

In addition, the African Continental Free Trade Area (AfCFTA) will bring more opportunities for companies doing business across the region as red tape, customs and trade tariffs will be reduced, making life easier for potential emerging market champions. According to the World Bank, the AfCFTA will be the largest free trade area in the world (by number of countries), connecting 1.3 billion people across 55 countries and a combined gross domestic product of US\$3.4trn. Such trade liberalisation is an exciting prospect for many local companies.

Meanwhile, there are many other cross-border opportunities for companies, including the natural resources sector. The Middle East is well-known as an oil exporter and recent government-to-government oil purchase agreements signal increased intra-regional cooperation. Kenya has signed deals with the UAE and Saudi Arabia, and Ghana has agreed to import oil from the UAE, for example. Many countries in Africa have ageing oil refineries and it is likely there will be more such cross-border flows in the region in the future.

## The promise of natural resources

The region is also appealing because of the nature of Africa's resources, says Buonvino. Aside from its gold, the continent has the majority of the world's chromium and platinum reserves. According to figures from the United Nations, Africa holds 65% of the world's arable land, and 10% of renewable fresh water sources – which creates opportunities in the agricultural sector, as well as for renewables. "There is a lot of potential in the solar and wind industries," comments Buonvino.

Meanwhile, with an increasing interest in environment, social and governance (ESG) issues, Africa's resources also offer clean tech alternatives. Reserves of lithium can be found across Africa, for example, which are used in the rechargeable batteries of electric vehicles, adds Buonvino.

Marek Potoma, TTS Co-Head, Middle East and Africa for Citi, comments that the region is planning for a sustainable future. "ESG is a major theme in the region and many companies are focused on ensuring that all aspects of their treasury operations



– and entire supply chains – are environmentally friendly and sustainable.”

## A variety of expansion strategies

With so many opportunities for local companies, there are many strategies they can employ to expand in the region. Potoma explains that many companies typically start by expanding in the peripheral markets to their home base, and then go further afield to the rest of the Middle East and Africa. From there, their global expansion can depend on the industry and their target market. Some may opt for Asia, or companies from French-speaking West African countries may target France, Switzerland or Belgium, for example. Regardless of their target markets, many are choosing Dubai as a hub for their trading and treasury operations, a location that is time-zone friendly and within a six-hour flight of many cities in the region.

Having the right mindset can aid a growing company’s expansion, particularly in terms of treasury strategy. Emerging champions have the advantage of not being burdened by legacy systems and are able to embrace digital technologies from the outset. “These companies are used to operating digitally. They have never used cheques – they have always done electronic payments,” says Potoma.

## Treasury needs when expanding

The treasury needs of emerging companies can be different, explains Potoma. Access to credit is more of an issue than it is for multinationals coming into the region, for example. Also, expansion brings other challenges: “As these companies expand globally, they expand their range of currencies – and risks and exposures. As they start adopting increased risks they need to start thinking about liquidity in a more scalable way,” says Potoma.

There are many other things they need to think about, and such companies rely on their banking partner to answer their questions. Also, explains Potoma, “They need to know what it is they don’t know – we often get asked ‘what are the questions I should be asking?’,” he explains.

As these companies scale and build, one of the advantages of having a global transaction bank like Citi is that they are able to benchmark their treasury performance against their regional and global peers, says Buonvino.

Buonvino comments that companies have an expectation for everything to be done instantly, with access to information also being in real-time. However, as their businesses expand, this creates the risk of information overload, explains Buonvino, and hence the need for ‘intelligent banking’. “This is where technologies like artificial intelligence (AI) can come into play. If payroll jumps from US\$1m to US\$10m in one month, the AI can detect this and send an automated message to check whether this is correct,” he says.

## Serving clients’ needs well

Citi is well-versed in serving growing companies and enabling their growth to be more efficient. One of its clients is the regional champion Aramex, a global multinational logistics company that

was founded in Jordan. Today it employs over 17,000 people across more than 600 offices in over 65 countries.

Managing treasury operations for such a company is complex, and Citi successfully provided a cash management solution that streamlined its treasury management operations that were previously spread across dozens of countries. With Citi’s cash management solution, Aramex was able to simplify its payments infrastructure, increase centralisation of its treasury activities – including cash and working capital management – and have increased visibility and control of its cash. With this came improved control and decision making.

Etihad Airways is another example of a company that has successfully expanded beyond the region and has been supported along the way by Citi. The airline, which is wholly-owned by the government of Abu Dhabi, introduced an expense management solution as part of a treasury transformation project to support the expansion and optimisation of its business. Citi became the company’s global corporate cards solution provider in over 40 countries, and the programme was managed centrally out of the airline’s head office in Abu Dhabi.

This solution was then integrated into Etihad’s expense management solution and fully synchronised with enhanced claims and settlement capabilities. The solution gave the company comprehensive and flexible reporting, and streamlined transaction and accounting processes to give Etihad increased controls as well as less paper and fewer costs related to travel and entertainment spending. Also, virtual card accounts gave flexibility so that payments could be made quickly – in an emergency, for example – and work as a replacement for physical cards and cash.

## Comfort through familiarity

When companies expand rapidly, they need solutions that support their growth in an efficient way. And one of the advantages of having a global bank provider, explains Buonvino, is that they have the certainty that the solution will look and feel – and work – the same in multiple markets; they do not need to deal with multiple providers for a regional treasury solution. With each new market, there is a comfort and familiarity with their banking services being the same. “There is a comfort in knowing that the treasury and trade solutions in Dubai will be the same as those in South Africa,” comments Buonvino.

Also, explains Potoma, a bank like Citi is able to keep the client up to date with the latest treasury information they need to know, a close relationship with regulators in various jurisdictions, and also enabling access to a network and supply chain. “We are able to offer sophisticated treasury solutions that can be cut and paste for the different markets, but in a way that also accounts for the differences,” says Potoma.

Navigating the similarities and differences of the various markets is just one of the many aspects of a company’s international expansion. Also, having the right bank partner – one that combines a global network and expertise with local, on-the-ground knowledge – will also enable such companies to grasp the region’s opportunities and maybe one day become a global champion of the future. ■

# Putting the ‘C’ in CSO

*Companies beefing up their sustainability teams need to ensure their Chief Sustainability Officer has C-suite backing. Without executive level support, sustainability will struggle to take root.*

At US cigarette manufacturer Philip Morris International (PMI) sustainability and transformation have gone hand in hand. The company's gradual move away from making cigarettes towards less harmful nicotine alternatives means it can now legitimately talk about sustainability and its efforts to reduce the damaging impact of its product externalities.

Since 2008, PMI has invested more than US\$10.5bn researching how to deliver nicotine in a less harmful way. A pivotal moment came when the company committed to using its new technology not as a portfolio add-on, but to replace cigarettes altogether, manifested in a target for smoke-free products to account for over half of total net revenues by 2025. “This is where sustainability and transformation came together,” recalls Jennifer Motles, PMI's Chief Sustainability Officer (CSO) speaking from Lausanne, Switzerland. “If we have a better offering for our consumers, why continue to sell a product that is so much worse?”

Fundamentally changing the company's product proposition involved looking at PMI's whole value chain and operations. In a coherent approach (which shares many of the hallmarks of root and branch treasury transformation) Motles explains that PMI's smoke-free future depends on every part of the organisation understanding and buying into the new value proposition and corporate strategy.

In many ways, Motles rise to CSO since joining PMI eight years ago, originally tasked with global affairs, policy and advocacy, has gone in lockstep with the company accelerating integration of its sustainability strategy. Her promotion to a role that spans risk, reporting, managing costs, stakeholder engagement, operations and impact, also mirrors the swelling ranks of sustainability officers at other leading corporates where consultancy PwC counts a threefold jump in recent years. Outwardly it's indicative of how more companies are taking sustainability seriously, but Treasury Today interviewees also warn a successful sustainability strategy depends on getting key criteria attached to the role right, none more so than executive level backing.

## Support from the top

First and foremost, a truly successful sustainability strategy rests on companies recruiting a CSO at executive, C-suite level. In 2020, PMI changed the reporting line of its CSO so that Motles reports to the Chief Finance Officer, altering the governance, structure and message around sustainability at the company. Sustainability data is treated the same way as financial data and the definition of value creation has been transformed so that the company is not just beholden to financial capital but all stakeholders, she explains. “The reason why sustainability was put under the CFO is because the company understood the strategic value of sustainability,” she says.

Where sustainability sits within an organisation offers a window into how the company views sustainability, agrees Singapore-based Dr Darian McBain whose ESG experience includes a six-year stint as Global Director, Corporate Affairs and Sustainability at Thai Union. Reporting directly to the CEO of the world's largest canned tuna fish producer behind brands like John West and Chicken of the Sea was indicative of how the company viewed sustainability as a strategic advantage.

Working alongside the CFO and treasurer, she helped set the KPIs sitting behind the company's first sustainability linked loan in 2021. They included maintaining the group's consistently high rankings in the S&P Global Dow Jones Sustainability Indices, GHG reduction targets and increasing the use of electronic monitoring and human observers onboard tuna vessels. Elsewhere, she engaged with suppliers on fish stock sustainability and human rights in the supply chain; increased sustainability in operations at the company's factories and engaged with governments, civil society and customers.

Creating awareness amongst Thai Union staff, where McBain says the younger generation at the seafood company identified sustainability in line with their own values in a unifying force, was particularly thrilling. “A good CSO is an advocate of change management,” she says.

It is this high-level ability to pull on the levers of power that sets the role apart and fast tracks strategy, continues Elisa Farri, Vice President, Co-lead of Capgemini Invent's Management Lab. Although most companies now have a sustainability officer, a smaller number have put a “big C” in front of the role conferring official backing from the top. It's difficult for a CSO to drive transformation if the role doesn't have board level protection and top-level support, she says. “How the role is established and the support it gets depends on what the organisation hopes to achieve,” agrees McBain.

## Strategic sustainability

Endorsement from the top is essential if the role is to become truly strategic. If a CSO's primary focus is more humdrum regulatory compliance, monitoring and reporting they will never be able to drive transformation, says Farri. “I am not saying these roles are not important, but they are not sufficient to drive a holistic transformation. The role should be much more strategic with potential for transformation that goes beyond a tick the box.”

In a reflection of her strategic role, Motles says she is not solely accountable for the delivery of sustainability at PMI. It is the role of department heads to deliver the strategy across the organisation. PMI's different divisions “own” integrating sustainability in a way that is consistent with their own

strategy. “My job is to create awareness; I am not executing,” she explains. “They define their sustainability strategy around product development or operations and shape it accordingly. It is not superimposed.”

A strategic approach to sustainability also makes it easier to avoid trade-offs and compromises because every division is on the same page, she continues. “Your business issues are your ESG issues; your sustainability strategy is your business strategy.”

## Tactical vs strategic

In many companies, sustainability remains tactical rather than strategic because the role is tagged onto an existing senior role – a sustainability officer could be assigned to the CFO, Chief People Officer or Head of Legal, for example. This approach can also impede another vital ingredient of success. A successful CSO interacts on an equal footing with senior executives across the various units of an organisation. This creates a glue that then percolates sustainability through the organisation, explains Farri. “Silos are a recipe for failure. You need to create interlocks between the CSO and rest of the organisation.” She also observes that where companies have bundled other divisions with sustainability it can lead to a trade-off where one division outperforms. “This could be a smart move in the short term, but there is always the risk that sustainability comes second,” she warns.

## Skills

A successful CSO will play a lead role supporting and developing sustainability knowledge within a company. One of the biggest challenges is that although sustainability is still a new concept at many companies, it is simultaneously becoming increasingly sophisticated. For example, a department head will need to understand what decarbonisation means, how to measure it; reduce it, and how much that will cost. It involves building new skills and the capacity to be agile, says Motles. “The learning curve is steep. It’s my job, but for others, it’s not their full-time job.”

Another challenge – that will also resonate with treasurers charged with change management – is buy-in. “Most people view change with suspicion,” reflects McBain who left Thai Union to join the Singapore Monetary Authority as the regulator’s first CSO before setting up her own advisory firm supporting corporates with strategic sustainability advice, particularly around the performance benefits.

Buy-in comes with access to funding, but also ensuring sustainability is profitable and commercially viable, lowering long-term costs and providing a competitive advantage in operations, customer satisfaction and brand image. “If you are working for a for-profit corporate you need to be able to show that sustainability wins customers. Much of my advisory today involves looking at how sustainability looks within a wider corporate strategy. My goal is for sustainability to be neither a cost nor an add on,” she says.

Alongside a hotchpotch of skills spanning policy expertise and practical implementation; change management and leadership, plus a background in science or academia (helpful but not a prerequisite) one skill stands out. Above all, CSOs flag the role demands regulatory knowledge as government policy begins to accelerate the transition, changing the tone of sustainability from a “nice add on” to something companies must do.

For example, the EU taxonomy requires companies to report their non-financial data with the same rigour they report financial numbers. A CSO will need to be across a Task Force on Climate-related Financial Disclosures (TCFD) set up to improve and increase reporting of climate-related financial information alongside modern slavery laws, anti-money laundering and local environmental requirements.

“Staying on top of the changing regulatory landscape is very important,” says Motles who adds that PMI’s sustainability strategy has placed the company ahead of the curve of mandatory reporting now coming down the line. “Because of the way the company is organised, how we understand sustainability and the role it plays in our governance, we have been doing this type of reporting for a while.”

## Stakeholder engagement

Of all her tasks, Motles feels most passionate about stakeholder engagement, an area she spends around half her time. A key element involves ensuring external stakeholders can assess the scale of PMI’s transformation. Metrics unique to PMI show how much the company has reduced carbon emissions or the total number of users of PMI smoke-free products. “The KPIs we are using measure our transformation,” she says. “It makes for a powerful conversation with investors.”

More so as investors become more knowledgeable on how to use corporate data, and engagement becomes increasingly meaningful. For example, Motles’ says her conversation with PMI’s investor base has grown increasingly complex since the company published its Business Transformation-Linked Financing Framework in 2021. The framework integrates the company’s smoke-free transformation into its financing strategy following ICMA Principles, tying the cost of debt to its sustainability performance.

“I make sure investors can understand our data and materiality, so the conversation moves beyond an ethical disagreement about smoking. Cigarette companies are not one and the same, and my job as CSO is to provide that data and prove that we are doing something different and addressing the thing that conflicts with their investment interests.”

PMI’s transformation is testimony to the power of engagement and dialogue within the financial community to drive real change, she says, warning to her theme. It illustrates the fact engagement is a more effective lever to corporate change than negative screens, exclusion and divestment. “If you divest before you engage you have missed an opportunity. Shareholders have rights and not using their influence is like not voting in an election,” she says.

The tobacco industry is not a homogenous bloc, she continues. If one company is phasing out cigarettes and another isn’t, that company’s efforts should be recognised in the same way that an oil group phasing out fossil fuels should be recognised by investors. “Why divest from a company that is doing the right thing?” she asks.

Integrating sustainability through an organisation can hit multiple road blocs. Companies recruiting a CSO should remember that getting the right accountability and governance structure behind the role is essential for sustainability to become strategic and transformative. ■

# This much I know

## Karina Inga-Kamienski

Senior Director, Capital Markets



*Gilead Sciences, Inc. is a biopharmaceutical company that seeks to create a healthier world for all people. The company focuses on preventing and treating life-threatening diseases, including HIV, viral hepatitis and cancer. Gilead operates in more than 35 countries worldwide, with headquarters in Foster City, California.*

### How did you arrive in your current role?

I moved to the US from Peru when I was 15 years old. After I finished school (I am a first-generation college graduate) I did an undergraduate degree in finance and began working in a local financial institution as a branch manager. This gave me a great foundation in customer service, and the importance of serving others and connecting with them.

I continued my education with a Masters, and then joined the accounting department of a local corporate. Later I applied for a job in treasury at the same company, starting as Senior Treasury Analyst. Here I learned about the importance of debt and paying attention to cash levels; making sure we were covered for the days and weeks ahead because the company had very thin margins.

After this I became a treasury consultant for a boutique firm in the Bay Area with a large client base. This really opened my eyes to all elements of treasury including FX and investments. I later joined Gilead.

### What advice do you have around career progression?

I started out at Gilead doing cash management and investment reporting. There was an opportunity to work in FX and I raised my hand, and I also put myself forward to work in our capital markets division. I asked if I could give it a try and was given the support from management to explore this different area of treasury.

I have also worked in investor relations, an opportunity that came about via having a mentor. I wanted to explore other areas of the business without leaving treasury and learn an area that would be complimentary to treasury. I voiced the idea with management and the CFO was supportive of a dual role working in investor relations and capital markets. It involved a huge amount of hard work and long hours, but I learned so much and got visibility into new areas, particularly executive management and communicating with external stakeholders. I knew I was learning because I constantly felt uncomfortable and stretched!

### What are the key ingredients of career success?

I have always been a planner. I remember jotting down as a kid my goals and the age I would finish high school, and when I would go to college! I think it is important to plan, but also keep things flexible. For me, planning involves factoring in additional learning and knowing how to prepare for something two-three steps down the road. But the most important element of a successful career is doing a good job. This way people get to know you and your brand, you become someone who can be trusted; known to deliver and asked to work on the next project. It is also important to consider how you deliver. Networking is essential and it is about people knowing what you can do. Don't burn any bridges; be kind and understand that you can't do it alone.

“I wanted to explore other areas of the business without leaving treasury and learn an area that would be complimentary to treasury.”

---

**ONLINE**

---

To read all the interviews in this series go to [treasurytoday.com/women-in-treasury](https://treasurytoday.com/women-in-treasury)



## What gets you up in the morning?

I believe in the mission of the company and know that somehow the work I am doing is having a positive impact. I also enjoy the strategic aspect of what I do. It involves understanding the business from a high level, knowing the key drivers and upcoming catalysts that could impact the business. All this information is critical in the long-range liquidity planning and making decisions around capital structure and shareholder return. Also, there is continuous learning and staying apprised of the market dynamics. I feel that I am in a privileged position as part of the team and get excited when I know that what we are doing could bring us a new medicine.

## What was it like during COVID-19?

I found working during the peak of COVID-19 very tough, particularly not being close to the team. It was also hard to balance work and life. At that time, I was working in a dual role in our capital markets and investor relations teams. However, it was very rewarding to see how our work and Gilead's COVID-19 treatment was part of the solution and had a positive impact on the pandemic. In 2020, we also completed our largest acquisition in Gilead's history. Working in various cross functional teams during unprecedented times, I learned to navigate through new challenging circumstances by adapting and constantly re-prioritising. Many new leaders joined our company just prior and during the pandemic which meant adapting to a new executive team and an evolving culture. The support and inclusion coming from the top at that time was very important, and something I carry with my team too.

## Describe your style of leadership

In my team we all have different strengths that complement each other. My leadership style centres around trust and inclusion, and I also love to develop talent – we plan it out and I make sure I give them the opportunity to explore new ideas, learn and grow. I also recognise people's contribution, calling them out individually in the room. I also try and help them if they are stuck on something, removing barriers and coming in as an assistant so that in this way it is very much about serving them. I also always try to anticipate changes so that we can plan for things and reduce future stress levels. It's important to talk about what is coming and be prepared be it with the right tools, knowledge and resources.

“ Also, there is continuous learning and staying apprised of the market dynamics. I feel that I am in a privileged position as part of the team and get excited when I know that what we are doing could bring us a new medicine.

## What are your biggest sources of inspiration?

I would say my parents are my biggest source of inspiration and my role models for their kindness, perseverance and courage. My family and sisters motivate me too. The power of the treasury community also inspires me. I meet with my Women in Treasury network about six times a year, and we have just celebrated our fifth anniversary. Mentoring is also a source of inspiration; I am a mentor and also have my own mentor. From her, I've learned about what makes the relationship successful, and how a lot of that success resides in the mentee being proactive about sharing the topic of discussion ahead of our meetings and having a growth mindset and open to receive guidance. I know my mentor is also available any time I need her!

### Profile

Based in the Bay Area, Karina joined Gilead 16 years ago in a cash management role. Since then, the company's revenues have grown from US\$3bn to US\$27bn and the number of employees from 3,000 to 17,000. In 2020, she led dual roles in capital markets and investor relations during an unprecedented year that culminated with the approval of Gilead's COVID-19 treatment Veklury, and the US\$21bn acquisition of Immunomedics, the company's largest acquisition to date.

Outside her role at Gilead, Karina is the founder of the Women in Treasury Network, the Next Generation of Women in Treasury and the Latinas in Finance and Treasury Circle.



## RECESSION OR SOFT LANDING? THE SIGNALS SUGGESTING A SHARP PULLBACK AHEAD

*As central banks deliver their latest decisions on interest rates the risk of a recession and stagflation looks more likely.*

“I think we are now at a point where it is arguably more pertinent to say what signals are not showing a recession,” says Chris King, seasoned corporate treasurer and co-founder of risk management specialist Dukes & King speaking to Treasury Today. “Although we clearly hope there could be a soft landing, the continued data themes, most of which have happened in the last three to six months and have a six-12 month time lag, suggest a relatively sharp pullback.”

The indicators he is most concerned about include the depth and now duration of the inverted yield curve which inhibits the issuance of credit due to banks’ lending models. Elsewhere, tightening of credit and credit restrictions have come through in Q1 in a major way. King also flags the “major slowing” of China’s economy, visible in a sharp pullback in prices in most commodities. Although he notes commodity prices are poised “ready for a recession” rather than actually in recession, they act as a good leading indicator of demand ahead.

All themes are echoed in Euromonitor International’s latest Global Risk Index which argues the global economy is now more at risk of stagflation than any other risk.

Its latest analysis forecasts a 30% likelihood of global stagflation, predicting a -5.5% hit on global real GDP if so. A primary cause of the heightened risk, says Lan Ha, Head of Practice, Economies at Euromonitor International, is the war in Ukraine.

“The primary risk driving the global stagflation scenario in 2023 is further disruption to global energy and food supply in the context of the war in Ukraine. This would ignite a resurgence of global inflation and increase the likelihood of more persistent price pressures in the global economy,” she says.

All the while increasingly restrictive monetary supply in the world’s largest economies is adding to recessionary pressure. Brice Lecoustey, Consulting Partner, EY Luxembourg questions if ongoing rate hikes are the right tool to tackle the underlying cause of inflation given its source in energy and food prices.

“Economic conditions are particularly challenging,” he says. “Inflation is mostly in energy and food prices and is not a consequence of economies overheating. Rising interest rates will reduce the ability of businesses to invest in agriculture and new energy, in a vicious circle that feeds this type of inflation. Overall, it is still not clear if central bank interest rate policies will work when the underlying factors that are creating inflation are linked to topics that are more complicated.”

At a consumer level, King notices that the cumulative factors of the impact of inflation and high borrowing costs are now starting to come through. “Each month of elevated energy, food and housing prices impacts demand. We have only just started to see the impact in reduced volumes now. Consumer demand has recently fallen sharply, with demand for construction and consumer products now exhibiting around 25% volume reduction with expectations to fall further through into 2024,” he says.

Moreover, in the US particularly, the surplus cash savings accumulated through the pandemic are now being eroded at quite a fast rate, concerning since this store of money has helped prop up the economy over the last few years. ■

Our weekly Treasury Insights digital newsletter examines topical events and trends affecting the world of treasury and includes our news digest with links to other treasury and finance related news. Treasury Insights offers a pertinent viewpoint on the issues that treasurers are, and should be thinking, about today. Sign up now – [subscriberservices@treasurytoday.com](mailto:subscriberservices@treasurytoday.com)



# Cash management solutions: built for today's financial challenges

*From new payment rails to the challenges of legacy infrastructure, there are plenty of issues keeping treasurers awake at night. Fortunately, cash management solutions can help by addressing three key points of intersection, explains Leo Gil, VP of Product at Bottomline.*



**Leo Gil**  
VP of Product



The challenges that treasurers face in today's environment are nothing if not extensive. As Leo Gil, VP of Product at Bottomline observes, "It's the economy. It's legacy infrastructure. Digital transformation. New payment rails. A renewed focus on liquidity. If you're a corporate treasurer these days it's, well, everything."

In fact, when researching 'things that keep treasurers and finance leaders awake at night,' it's clear that around a dozen different issues arguably fit the bill. "As the executive in charge of finances, treasurers are used to these types of challenges – but the pressure right now is admittedly greater than it has been



since the pandemic,” he says. “Fortunately, cash management solutions are up to the task, and feature a set of products that can keep pace with almost anything the financial world will serve up.”

According to Gil, these products allow a ‘back to basics’ mindset, with a focus on usability and quick implementation across the company. “Under the ‘back to basics’ heading, the key is to ensure cash managers and treasurers have a centralised view of their cash positions in real time, combined with accounts payable (AP) and accounts receivable (AR) data, in an automated way,” he says. “With a centralised view of their data, cash management solutions additionally can empower treasurers by providing solutions for cash forecasting, automated reconciliation and a better way to manage payments.”

At their core, cash management solutions are designed to help companies view their data via a centralised platform that can automate transparency and enable financial reporting. “As such, I would argue that an effective product suite and reliable solutions are built for this moment in time.”



Fortunately, cash management solutions are up to the task, and feature a set of products that can keep pace with almost anything the financial world will serve up.

### Three intersections

There are three distinct points at which cash management solutions and the current economic conditions intersect, making life more manageable for the executives that depend on them:

1. **Global cash visibility.** With the current economic and market conditions, especially with the risks and exposures in the banking sector, companies are looking to diversify their banking relationships to protect their cash and financial operations, which increases the complexity of managing their cash positions.

Through bank and local network connectivity, cash management solutions can provide treasurers with a single view of their cash positions globally and in real-time. This reduces the complexity of managing multiple bank accounts across geographies, subsidiaries, and currencies.

2. **Centralise business payments.** Payments hubs allow companies to centralise and manage all the organisation’s business payments, and should provide a seamless payment experience to finance users regardless of the payment type or source.

In a nutshell, a payments hub can transform payments across countries and types, process those payments, secure them, and connect them to banks and external payment platforms like SWIFT, Bacs, SEPA and Nacha.

“In my experience, companies that need a payments hub are ones that have been logging into multiple banking portals to initiate payments and check their status, then extract that information into reports and spreadsheets to reconcile against payables and receivables in their ERPs,” Gil reflects. “This approach comes with a lot of pain points, not just because it’s inefficient and error-prone, but also because it prevents companies from closing their books faster.”

3. **Cash lifecycle and working capital optimisation.** With the centralisation of cash positions and payments, cash management solutions can also extend beyond daily financial operations. This can help treasurers manage liquidity and the entire cash lifecycle, enabling them to make data-driven decisions to optimise working capital.

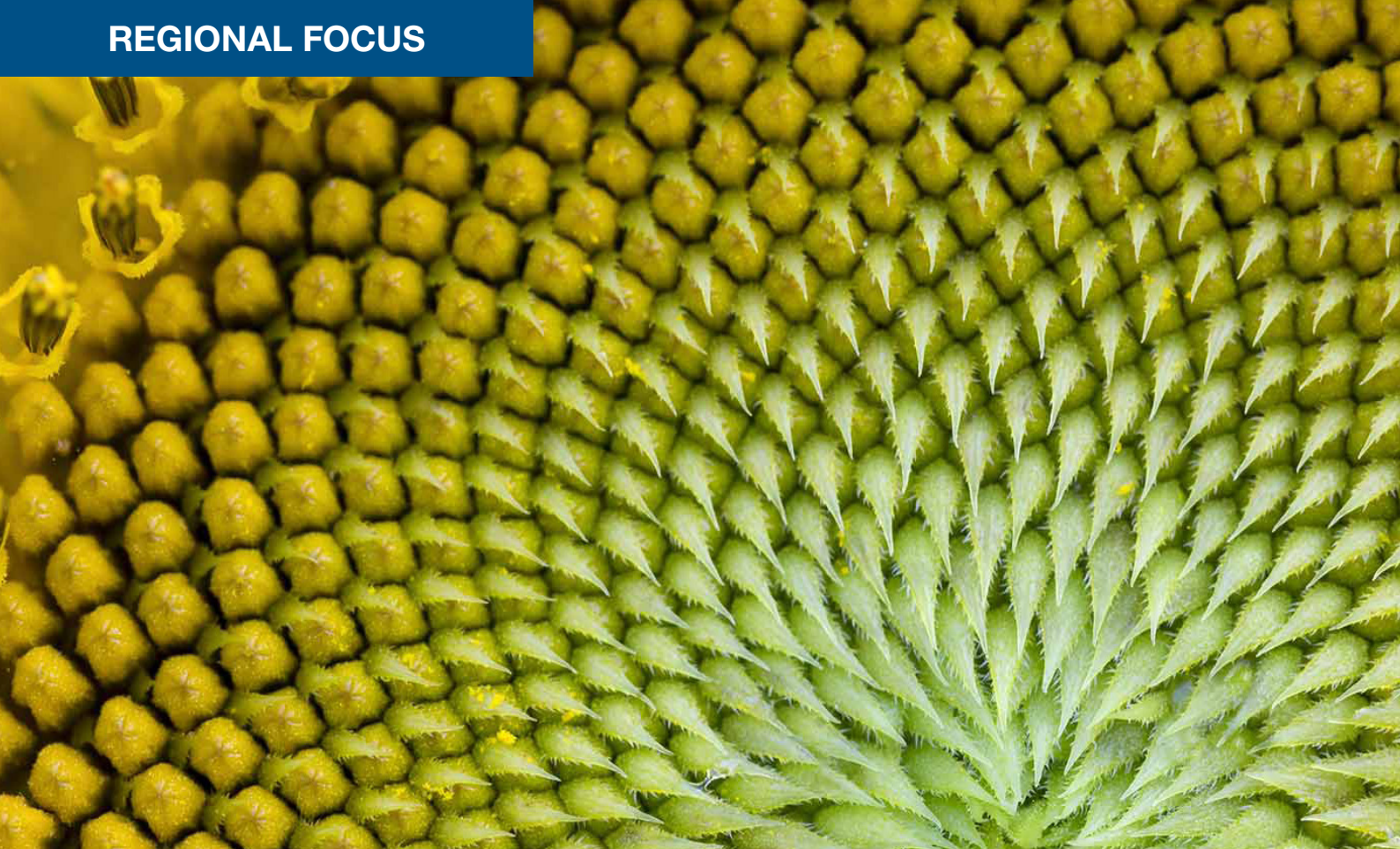
The key enablers and capabilities for cash lifecycle management are cash forecasting and reconciliation, which as Gil observes “are critical operational tasks that many finance teams struggle to execute efficiently because for the most part, these are still manual and fragmented processes inside organisations.”

With the automation of the cash lifecycle, and a focus on working capital optimisation, cash management solutions have also expanded into other treasury functions, including the management of financial instruments and even trade finance. This empowers treasurers to advise their organisations about how to respond to challenges and opportunities – for example, how and where to move funds across subsidiaries, or acquire external debt.

### Future-proofing cash management operations

As the role of the corporate treasurer continues to evolve from an operational role to a more strategic player within the organisation, cash management solutions can be a powerful tool in helping treasurers respond to ever greater demands.

As Gil notes, the right solutions “can quickly and easily automate the business payments and cash lifecycle process without the overhead, and can sometimes simply be integrated into large scale enterprise-wide solutions as ERPs and treasury management systems.” ■



# Treasury centre locations in Europe

*Europe has much to offer as a treasury centre location. But which countries in Europe are seen as the most attractive locations and why? From tax considerations to availability of talent, there are plenty of factors to consider.*

While every company is different, most businesses with significant commercial activities in Europe will have a treasury centre located in Europe, often covering Europe, the Middle East and Africa (EMEA). So which European countries do companies favour for their treasury centre locations? And which factors should companies consider when choosing a suitable location?

## **Treasury centres in Europe: the benefits**

A treasury centre is an important structure used by multinational corporations (MNCs) to centralise and manage their treasury activities. While some companies operate global treasury centres, others use regional treasury centres (RTCs) to manage activities in a specific region.

David Stebbings, Head of Treasury Advisory at PwC, notes that Europe has much to offer as a treasury centre location,

including stable political, legal and tax environments. “In most countries there is an ability to centralise risk and cash, and the banking and financial environments are well-developed,” he adds.

“The main benefit of running a treasury centre location in Europe is the Single Euro Payments Area (SEPA), a European Union (EU) payments integration initiative aimed at harmonising electronic euro payments in Europe,” comments Frédéric Vanderstuyft, Senior Client Advisor, BNP Paribas Cash Management. “Thanks to SEPA, citizens experience the same ease and convenience when making euro transactions across Europe with the same payment instruments – in particular, credit transfers, direct debits and cards – as they do when paying within their home country.”

Nevertheless, says Vanderstuyft, companies do need to address certain challenges when operating treasury centres



Companies should also think about what their objectives are for the treasury centre – are they looking for efficiency, control, cost reduction, tax considerations or something else?

Frédéric Vanderstuyft, Senior Client Advisor, BNP Paribas Cash Management

in Europe, including a disparate tax environment and a lack of harmonisation in terms of the regulatory environment and timelines, “for example with e-invoicing and SEPA Instant payments.”

## European treasury centre locations

Different countries and cities in Europe have different attractions when it comes to running a treasury centre. Sander Van Tol, Partner at independent consulting firm Zanders, notes that the main treasury centre locations in Europe include:

- **Dublin** – the Irish capital is noteworthy due to its US tax treaties, access to English-speaking talent and treasury outsourcing capabilities.
- **Luxembourg** – the EU’s second smallest country offers international tax treaties and an attractive corporate income tax rate and regulatory environment, “especially for debt capital market transactions.”
- **The Netherlands** – the Netherlands’ capital city boasts international tax treaties, access to talent, and an attractive business climate and regulatory environment for treasury services.
- **Switzerland** – Van Tol notes that the corporate income tax rate varies across different Swiss Cantons. Other benefits of Switzerland include bespoke tax arrangements between multinational and local tax authorities.

In addition, points out Stebbings, “treasury centres where labour cost is a key factor – namely transaction centres – tend to be located in Eastern Europe.” He adds that in recent years, certain Gulf states have begun to try and attract businesses to have their EMEA treasury in those locations, “although time zone differences can provide a challenge.”

## Factors to consider

While there is no one-size-fits-all approach to choosing a treasury centre location, there are a number of factors that companies should consider when choosing a location, including tax, legal and regulatory considerations, as well as access to talent and developed financial markets.

As Stebbings explains, “The importance of each of these factors will be different for each business depending upon the nature and flows of the business, where the headquarters are located, tax and legal risk appetite, where the business has operations, its reliance on financial markets and whether it is in line with its peers, etc.”

Naturally, says Vanderstuyft, companies will look at where their main treasury activities are located, as well as the

presence and capabilities of their core banks. “Companies should also think about what their objectives are for the treasury centre – are they looking for efficiency, control, cost reduction, tax considerations or something else?”

While different companies will have different priorities, some of the key factors that multinational corporations should consider when choosing a treasury centre location include the following:

### 1. Tax regime

Tax is certainly an important factor where treasury centre locations are concerned. But as Van Tol points out, companies do not only focus on a location’s corporate income tax rate – “assuming that treasury centres also act as finance companies, and are able to generate a certain income by providing treasury activities and group funding.” More important, he says, are the tax treaties between the treasury centre’s host country and the countries in which the company’s legal entities are situated.

“We see that with the further implementation/roll out of the G20/OECD Base Erosion and Profit Shifting (BEPS) project that tax planning from a treasury centre perspective is more limited,” comments Van Tol. “Especially with the release (11<sup>th</sup> February 2020) of the Transfer Pricing Guidance on Financial Transactions report, which includes new guidance to be added to the OECD Transfer Pricing Guidelines for Multinationals and Tax Administrations, the tax planning framework became more stringent.”

### 2. Regulatory environment

Van Tol also notes the importance of treasury-specific regulations, such as capital market, financial market and banking regulations. These may include the existence of currency restrictions, requirements for central bank reporting and derivatives rules and whether or not banks are able to offer cash pooling solutions.

### 3. Access to talent

Multinational corporations need trained and experienced professionals in order to perform the activities of a treasury centre – “so access to the specialist talent pool is of importance,” says Van Tol. While different countries will vary in terms of the breadth and depth of their treasury talent pool, he notes that there may be regional differences within individual countries.

### 4. Access to liquidity/currencies

Treasury centres need to be established in countries that facilitate liquidity and the flow of money, meaning that countries with currency restrictions would not be an attractive choice.

“Normally the location of the treasury centre would match the location of the external bank accounts for cash pooling and FX/money market purposes for tax reasons,” says Van Tol. “With regards to the locations referred to previously, we have seen global and European banks heavily investing on their capabilities in Luxemburg and Dublin to match those available in Amsterdam.” He adds, “It is beneficial for MNCs that they have the ability to get quick access to local liquidity and tap the local debt capital market.”

Another consideration relating to access to liquidity is eligibility for the ECB’s purchase programme for the corporate sector, in which the ECB buys bonds from issuers located in the EU. “If your finance company or treasury centre is located in an EU country, this would provide additional access to liquidity for investment grade borrowers in the debt capital markets,” says Van Tol.

#### 5. Time zone

Aside from Russia and Turkey, Europe only includes three time zones (Western, Central and Eastern), meaning that the time zone location is not overly important from a European perspective. “But if the treasury centre also needs to perform activities for the Middle East, Africa and parts of Asia, time zone location is more important,” says Van Tol.

Other factors that companies may consider include the country’s legal system – including whether or not EU

regulations apply – as well as its business environment and access to the international financial network. Language may also be taken into account: “In some countries the general level of English (as the main corporate language) is higher than others,” comments Van Tol.

On another note, Stebbings points out the importance of proximity to other business teams and global teams such as procurement, as well as the availability of office space.

### Choosing a treasury centre location

When choosing a treasury centre location in Europe, Stebbings says the first steps should be to review the key factors under consideration, decide which activities the treasury centre will be carrying out, and then determine which of the factors are the most important. “The next step is to do an analysis,” he says. “This should be at the high level first in order to get to two or three favourites, at which point a more detailed analysis can be carried out.”

In carrying out this detailed analysis, says Stebbings, companies should “consider which issues might be the showstoppers – often these are the legal and tax implications of the treasury centre interacting with business entities across EMEA, but remember to take into account the operational factors.” He explains that these should include how cash will actually be centralised, which banking services are available and how the treasury centre will operate, as well as considerations relating to talent, offices and support. ■

### Sander Van Tol, Partner, Zanders

#### What are the benefits of Europe as a treasury centre location? What are the possible disadvantages?

The benefits of Europe as a treasury centre are dependent on the specific characteristics of the multinational. The most important benefits we see are the stability of the region, limited political risk, international tax treaties, access to capital, liquidity and people and the ability to cover multiple continents from a time zone perspective.

Disadvantages are related to costs – Western Europe is relatively expensive in terms of wages. However, this argument is less important given the relatively low impact of treasury on the total headcount of all corporate functions.

#### How should companies approach the task of selecting a treasury centre location?

First, start by defining the objectives of the treasury centre – is it tax driven, or more driven by liquidity and pooling capabilities? Next, define the specific treasury activities which will be performed by the treasury centre. For example, there are different location requirements for front office (pooling and FX hedging), corporate finance (external or group financing) or back office activities.

#### How is the treasury landscape in Europe evolving?

We are seeing fewer relocations of treasury centres driven by tax objectives – indeed, it is interesting to note that MNCs are approaching the topic of tax from a more ethical point of view. In particular, they are asking to what extent aggressive tax planning – and as such, the location of the treasury centre – is in the best interest of the company’s stakeholders and ESG goals.

That said, certain multinational corporations have relocated their treasury centres to mainland Europe as a result of Brexit.



## IS YOUR TREASURY SAFE FROM TIKTOK?

*Some governments have banned the Chinese social media app TikTok on work devices, which has left many wondering whether their data and privacy are really at risk, or whether the Chinese company has simply been caught in a diplomatic spat.*

When you install an app on your phone, do you read all the terms and conditions? Does anybody?! For some social media apps, however, the details in the small print could have serious implications.

The UK, US, European Commission and Canada have recently banned the Chinese social media app TikTok from government devices, India has banned the app outright and the US is currently debating whether to also ban the app altogether. The fears are rooted in how data is collected and shared, with many claiming the app poses a national security risk because the Chinese government potentially has access to the data.

There are also fears of data being passed onto other malicious actors. For corporate treasurers, this could mean, for example, that all the data from their work phone – such as location, search history, contact lists, keystroke information, biometric data, and more – could be used to inform a bank scam and launch a phishing attack that targets their company's funds.

Amid this, it is difficult to assess whether TikTok – which has over one billion active users worldwide – is riskier than other social media apps, or whether the app's owner ByteDance has been caught in a diplomatic spat, with some of the usual charges of espionage being levelled against a Chinese company.

The US is considering whether to go the route of India and ban the app altogether or force the company to spin off for the US market, a proposal first suggested during the Trump administration. TikTok has been described as a 'Trojan horse' used as a means for the Chinese government to access sensitive data, and other accusations go further. For example, US politician Buddy Carter said during a recent Congressional hearing, "I don't speak for everyone, but there are those on this committee, including myself, who believe the Chinese Communist Party is engaged in psychological warfare through TikTok to deliberately influence US children."

The company's CEO Shou Zi Chew, in his testimony to US Congress, denied this and said accusations of spying were a mischaracterisation. ByteDance has also denied it has shared data with the Chinese government.

As Benjamin Dowling, Lecturer of Cybersecurity at the University of Sheffield, points out, spyware is something quite different from the usual use of social media apps – spyware extracts data from users without their consent, which is a different issue from the privacy policies users are consenting to. Dowling argues TikTok's privacy policy isn't much different from the likes of Instagram or Facebook. And Citizen Lab Research stated in a report TikTok's behaviour is not overtly malicious.

In terms of location data, for example, Dowling explains in a piece for *The Conversation*, TikTok collects data up to 3km sq, which is inferior when compared to the precise location Instagram pinpoints. This can have malicious purposes, however, such as stalking. Also, Dowling says that user data can be used to build profiles of users, which could be used – in combination with artificial intelligence and machine learning – for phishing attacks (where social engineering is used to target a victim and to fool them into handing over large sums of money).

The privacy issues came to prominence in April 2022 when ByteDance changed its policy, which enabled staff in China to access the data of users in Europe. This caused alarm bells to ring, especially in light of news reports that ByteDance employees were using data – such as location – to spy on US journalists to root out their sources.

Amid these concerns, what is the best approach for multinationals and their corporate treasurers to take? Is it worth banning the app altogether, even on personal devices? Dowling concludes the onus should be on users to manage their own privacy and decide for themselves whether the risks are worthwhile. ■

# Picking your payment battles

*Corporates have never had more choice when it comes to payment methods, but banks and fintechs alike are wary of pushing every solution at their disposal for reasons of cost and offering options that customers don't actually need.*

Research published by Coalition Greenwich in April found that reduced cost remains the most important factor when awarding business to payment providers, and businesses are increasingly comfortable working with so-called alternative service providers. Just over three quarters of the corporates surveyed were using non-bank or fintech providers for payments, while 60% of the remainder said they would consider using non-traditional providers in the future. Within five years these firms estimated that such providers would be handling 42% of all payments.

A popular response to the question of whether it is cost effective for businesses to accept funds from a wider range of payment methods is that it is not a case of whether it is cost effective, but rather whether it maximises the chances of concluding a sale and receiving the money in the most efficient manner.

Toine van Beusekom, Strategy Director at Icon Solutions, says the focus should be on creating the optimal customer experience. "While innovation can result in more choice, selecting and implementing solutions that address specific customer payments pain points – rather than create more problems – has never been more vital," he adds.

If customer experience is at the top of corporates' strategic priorities, accepting multiple payment methods are becoming the table stakes for enabling customer adoption and retention. However, this approach may outweigh the unit economics of opting into each individual payment method.

"Therefore, it is equally important for businesses to periodically analyse and review customer adoption in order to rationalise payment methods," says Sara Castelhana, EMEA Co-Head of Payments and Commerce Solutions at J.P. Morgan.

Customers want to pay how they feel most comfortable, so failing to support popular alternative payment methods may lead to abandoned baskets, lost sales and diminished market share. But Castelhana reckons customers can be influenced in a particular direction.

"There is an opportunity for businesses to incentivise consumers to adopt cheaper payment methods," she says. "For example, offering a percentage discount if they pay by bank account and/or putting the option at the top of the checkout screen could change buying preference and drive down costs for the business."

Making it easier for clients to pay helps generate sales, but Nancy Pierce, Managing Director Payment, Global Payments Solutions at HSBC acknowledges that this has to be balanced against the cost of investment.

"Businesses should assess which vehicles provide the most reach and acceptance for their particular client segments,"

she suggests. "Businesses as well as banks will have to 'pick their bets' on emerging payment methods."

Earlier this year, Oman Air introduced a new international payments process designed to increase efficiency and security. The global disbursement solution developed by HSBC delivers simultaneous multiple currency payments and an improved track and trace function for every transaction via a centralised treasury hub in Oman. The service enables Oman Air to process foreign currency payments through a single bank account, using HSBC's global network and FX rates. The airline says this reduces its dependency on other third-party banks and lowers the cost of processing these payment types, as well as the time taken to do so.

The solution is expected to affect a significant reduction in the working hours spent on payment creation and reconciliation, as it enables Oman Air to process multiple currency payments at the same time, provides detailed status reports and allows for tracking and tracing of every transaction.

"It provides us with simplicity, expediency and security," says Abdulaziz Al Raisi, Oman Air Chief Executive Officer. "We are confident that it will enable us to achieve a more streamlined international payments procedure."

Although modern payment solutions are generally cost effective, accepting every possible payment method is unlikely to be economic for most businesses, says Steven Anderson, Head of Product Management, Enterprise Payments for Fiserv in EMEA. The key is to establish the right mix of payment methods to meet customer preferences and expand market reach. A recent example is a project Fiserv completed for Salt River Project (SRP), a community-based, not-for-profit organisation providing affordable water and power.

For over 20 years SRP offered customer a cash bill payment option through company-managed kiosks at 69 locations across central Arizona. However, it realised it needed a more cost effective and accessible alternative.

The Fiserv service validates billing accounts and notifies SRP of payments in real time across more than 600 locations in its coverage area. This enabled SRP to retire its kiosk network, which was not equipped to provide change or accept large amounts of cash.

"It has been a game changer for our business," says William Patchett, Manager of Revenue Accounting at SRP. "It has allowed us to streamline our operations, reduce costs and expand our reach."

The service is already processing and depositing between US\$4m and US\$5m worth of in-person payments per month and that figure is expected to continue to grow. Of course, different payment systems will have different fee structures

and utilising multiple payment methods can lead to higher reconciliation costs. Businesses need to factor in these fees when determining their payment acceptance mix.

"In the near future, we envisage the emergence of 'umbrella schemes' encompassing more than one payment method and including 'all in one' fees, which could streamline payment acceptance for many businesses," says Anderson.

Bob Stark, Vice President of Strategy at Kyriba, describes the G20's focus on improving the cost and efficiency of cross-border payments as a welcome development for CFOs and treasurers.

"Our corporate clients are optimistic that continued progress can be made to ensure that at least 75% of cross-border payments can be settled in one hour by 2027 to meet the G20's primary target," he says.

The G20 has also targeted a global average cost of payment of no more than 1% by the end of 2027. But Nicolas Cailly, Head of Payments and Cash Management at Societe Generale Global Transaction and Payment Services, observes that payment processing is not a trivial matter and that banks must invest significant resources to make it work efficiently. He suggests that by leveraging technology and revolutionising the world of correspondent banking with initiatives such as SwiftGo or Immediate Cross-Border Payments (IXB) – a joint project between EBA CLEARING, The Clearing House (TCH) and SWIFT – banks will be able to provide these services and limit the cost of payments.

"But they won't succeed alone," says Cailly. "The G20's ambition will not be reached without the public authorities reinventing the way the financial industry is expected to control every payment. The G20 has 20 different sets of rules in terms of sanctions screening and AML controls with over 30 different screening lists to be compliant with local regulations requiring different rules and reporting when it comes to payments."

He accepts that ISO 20022 will help streamline and automate some of these processes, but thinks that will not be enough. "To meet the G20 objectives in terms of cost and level of service they will have to agree on simpler, harmonised, compliance expectations," adds Cailly.

Castelhana also refers to the importance of consistency, suggesting that the goal should be a standardisation of process rather than a sustainable margin.

"If we set targets to address the four key challenges (cost, speed, access and transparency) recognised by the Financial Stability Board, that is only addressing the symptoms at the surface," she says. "While this is a good starting point, the real focus should be on the cause of these symptoms, which is the lack of visibility over existing practices and access to robust payments data."

According to Castelhana, the higher cost of cross-border payments can be largely attributed to the variability in regulatory requirements (such as exchange controls of different countries) and business practices at the beneficiary's location leading to longer processing times.

"The public and private sector should work together to establish a baseline for all the different payment types and customer expectations to set metrics that would bring clarity and act as an anchor against which revised targets can be set," she adds. "A baseline of current costs – particularly in

relation to the different payment types in the retail segment – should be established as an anchor for any future targets."

When thinking about this from an account-to-account perspective, if mandated, a global average cost of payment of no more than 1% by the end of 2027 could be achieved because of its speed-to-market and real-time functionality observes van Beusekom. "However, businesses will only succeed if they first transform their payments estates because they will have a higher volume of transactions to deal with," he says.

From the perspective of total payment volume, Ecommpay's Chief Revenue Officer, Moshe Winegarten suggests the average cost of payment is likely well below 1%. "This is because the top 10-20% of businesses are merchants posting 80% of the volume of payments and they are able to buy it at a massively economical rate," he says. An obvious talking point in any discussion of competition in this area is whether we have reached peak collaboration between banks and non-banks in the payment services space.

"As the digital economy is only in the foothills of development, there are going to be many more opportunities for traditional players and fintechs to collaborate," says Amit Agarwal, Global Co-Head of Payments and Receivables at Citi TTS. "Entirely new digital business models will be created, perhaps in the metaverses or web3 and the internet of things. The market for payment services in the digital world is likely to grow quickly and there will be niches for all players to explore."

While there is still fragmentation across regions, we are likely to see more collaboration as new entrants look to build greater scale and respond to regulatory scrutiny. That is the view of Rijuta Jain, Payments Management Executive, Corporate Liquidity at FIS, who suggests there is an opportunity for banks to respond to consumer demand and modernise in a managed way.

"Banks already work with non-banks as customers, suppliers, aggregators and ecosystems in which to distribute their products more efficiently and there are probably even more ways to partner to leverage each other's strengths," agrees Pierce.

Combining the strengths and expertise of banks and non-banks can create impactful propositions, suggests Annelinda Koldewe, Global Head of Wholesale Banking Payments at ING. "As the payment industry continues to evolve, it is likely that the need for collaboration and partnerships between banks and non-banks will continue," she says.

Open finance is still in its early stages and the market requires further innovation and investment in AI and machine learning, for instance, to provide more integrated products for enhanced and more secure customer experiences, says Indranil Bhattacharya, Principal Consultant at Capco. "The implementation of common digital identities for use between banks and non-banks for various products, including payments, is one good example," he adds.

As revenues fall for the payment transaction, the need to 'squeeze the pips' on every piece of the value chain will be apparent. "Non-bank providers will enable costs to be eliminated via services such as PaaS and data analytics," concludes Anderson. "Even a 1% improvement in straight through processing stats will provide significant improvement to the bottom lines of banks and non-banks alike." ■

# In-house banking

“ When is the right time to set up an in-house bank? ”



**Sélim Ul Hasan**  
Head of International Treasury,  
Finance  
Solvay

Solvay set up an in-house bank (IHB) to optimise cash management and liquidity availability, reduce operating costs – both internal and external – and improve risk management across FX, counterparty risk and compliance.

Our current IHB landscape is the result of several iterations over the past four decades. Today it is characterised by a centralised and comprehensive system that covers cash pooling POBO/COBO (payments-on-behalf/collections-on-behalf,) intercompany funding, FX hedging, and centralised treasury information and reporting.

Our journey began in 1984 when the company began factoring accounts receivables limited to cross border flows, centralised FX hedging and main affiliates financing. Between 1984 and 2000 we gradually expanded our factoring activity. This included factoring domestic Belgian accounts receivable (AR) followed by factoring domestic AR for the main European countries and POBO for accounts payable (AP). Next, we created Solvay Finance North America.

In 2000, we changed our system to SAP FI. This involved creating automated interfaces with affiliates ERP systems and setting up internal bank accounts. We expanded POBO processing, leading to restricted usage of local accounts. This in turn led to affiliates accounts cash pooling and generalisation of the affiliates financing. We implemented Swiftnet in 2010 which involved a simplified and secure H2H connectivity. At this time, we also expanded COBO/POBO to additional countries. In 2013 we created a shared service centre, optimising the end-to-end POBO/COBO process. Our evolution in APAC includes Chinese currency cash pooling, centralised FX hedging and rolling out Swiftnet for local accounts. We implemented a full factoring process in 2016.

Between 2018-2022 we have embarked on further bank accounts rationalisation programmes, decreasing banks relationships and bank accounts from around 1200 to about 600 and we have also introduced a TMS.

By introducing an IHB we have solved a variety of challenges like resolving the problem of “trapped” cash in subsidiaries, and the complexity and effort of accessing this cash – or even knowing it’s there. We have improved cash management, ending inefficiencies and reduced our borrowing costs. We have also reduced treasury operating costs and end-to-end processing costs and improved risk management.

Setting up an IHB requires close coordination. Internally, this manifests between customer collection and credit teams, purchasing teams and HR to minimise disruptions to routine cash operations. IT divisions also rely on the setup of specific systems and tools and the interfaces between them. Externally, treasury teams need to coordinate with banks and customers.

There are clear hard savings like bank account management fees, but also savings that are more difficult to measure. Such as the optimisation of the usage of available cash, and the ability to use the best source of funding, regardless of where the ultimate cash need is.

Overall, we have reached a stage where our IHB is part of our ecosystem. Since every iteration relies to some extent on the previous layers, it’s very difficult to estimate actual payback of the whole setup today. Still, our IHB has bought substantial cash and non-cash benefits to the group.

The company is currently exploring how to separate into two independent and publicly traded companies. This would require us to split the in-house bank, so each new group is fully equipped.



**Bas Duynisveld**  
Head of Business Treasury  
AkzoNobel

AkzoNobel set up an IHB in 2010, around the same time as I joined the company as a Senior Treasury Analyst. The company was seeking an economy of scale and more centralised approach, replacing a fragmented landscape where different parts of the businesses had their own banking relationships. Setting up an IHB involved changing the company’s banking partners at the time, many of which were local banks.

We switched to a global group of banking partners, all of which had supported and committed to our revolving credit facility. These banks were given the first rights on pitching for new business, and we issued new mandates to banks around the world.

Our IHB is split into two models – an open economy model and a closed economy model. The open model comprises Europe, North America, and some Asian and Middle Eastern economies where it is easier to get cash in and out, and it is relatively easy to centralise funds on a day-to-day basis. With this model we have sweeping in place so that every day we zero balance the accounts of local participants, sweeping and centralising cash into our Amsterdam-based pool.



In our closed economy structure, we don't centralise funds every day. However, we do process all the daily fund flows in and out of various countries from a trading perspective so that from a treasury angle we centrally manage all the flows, processing balances and making sure we can provide all the financial services to all corners of the business. In this way cash flows are managed but are not actually "on our books."

One of the most important elements of an IHB is ensuring a solid legal framework. Legal issues define the agreements with our internal parties, and we have built a framework for transacting with our internal parties using service-level agreements that we review on a timely basis. Because we centralise not just in euros, our main currency, but in many other currencies too, this involves a high level of risk management, making sure we manage the right FX risk at the right time.

Operating an IHB requires a strong team, plus the capacity for scope and volume. We are a decent sized company, and a centralised operation makes sense. It has bought significant benefits from a corporate finance perspective. Daily centralisation of our cash position allows us to keep all our money in one pocket and make borrowing and investment decisions from one location.

Operationally we have a central point for processing payments run by our IHB that is homogenous across the company. For example, a payment coming from India will go through the exact same process from entry to approval and being sent to the bank, as a payment from France. There is a value in having standardisation that really supports our IT systems because we don't have to develop new systems all the time.

We have centralised a lot of our payments volume via our payments factory, but we still need to integrate new projects and acquisitions into this structure. We started by integrating our payment factory processes in countries where we have our biggest payments volume, but we are now extending this out and adding smaller countries. This is very much how we see the IHB developing.



**Iris Rousselière**  
Global head treasury transformation – Treasury Advisory, Redbridge Debt & Treasury Advisory

The vast majority – 90% – of our clients don't start directly with setting up an IHB. Instead, they begin by setting up a pool, eventually move to a payment factory, or, in a best-case scenario, add virtual accounts. Only after taking these steps do they transition to an IHB by adding a collection factory.

Given how much easier it is to set up an IHB from the start, why do clients go down this route? Most corporations are created by external growth or are the sum of multiple legal entities. When creating a legal entity, clients start by setting up the legal and financial documentation – not with cash management.

Additionally, the negative rates of recent years have worked against companies setting up an IHB. Many clients sought to avoid the cost of their liquidity on the main currencies by trying to spread their cash across the business, rather than centralise it.

The heart of in-house bank concept is the centralisation of all external bank relationship in one legal entity which also ensure payments and collections on behalf of all group's legal entities.

What are the limiting factors companies should consider setting up an IHB?

- 1. Tax administration:** some countries refuse to proceed with tax refunds if the bank account is not held by the legal entity entitled to it.
- 2. Technology:** virtual accounts can be powerful because they help to automate the cash reconciliation, key to the IHB concept with a lower cost and they also track the transfer pricing respect. However, the fact that the virtual IBAN root is tied to the country of the physical account issuing it, limits the implementation of virtual accounts.
- 3. Change management:** there are several ERP configurations that must be completed to implement an IHB, and from time to time this can slow down or discourage the change within the organisation.

## What is the potential benefit of this set up?

The savings realised from an IHB implementation can be quite significant. For example, working with a client that had an annual revenue of US\$5bn we were able to save up to half a million dollars per year on EU bank charges. In another example, we estimate savings will reach more than US\$7m in FX, bank fees, and yield per year for another client, a worldwide group with US\$28bn annual revenue. The first project includes virtual accounts in the limits allowed by transfer pricing and tax regulations, while the second project is only based on physical accounts. Because of this, we could further increase the ROI of the second project for our client.

Setting up an IHB involves five key steps. Design a structure, organise a review of the structure with your Tax, TP and audit partners. Present that structure to IT and accounting to obtain their input and sign-off to the project. Next select your bank partner(s) and finally create a dedicated project team and begin. ■

### Next question:

"How is the way we pay changing and how is the payments ecosystem evolving?"

Please send your comments and responses to [qa@treasurytoday.com](mailto:qa@treasurytoday.com)



# China and the US falling into age-old trap?

*Companies are increasingly suffering from geopolitical developments. A survey by global insurer WTW found that, in the last year, over 90% of companies had suffered financial losses due to geopolitical risks; this figure was 35% in the previous year. It is striking (and logical because of the Ukraine war) that 86% of Western European companies indicated that they had suffered losses due to geopolitics, while this applied to 'only' a third of North American companies.*

While the war between Ukraine and Russia may largely account for the increase in losses, the geopolitical risks are broader and more extensive. Half of the companies surveyed by WTW therefore assume that deglobalisation will continue strongly, while more than four in ten expect the trend of decoupling to gain (further) momentum.

Due to (geo)political shifts, among other factors, three pillars that have propped up the global economy in recent decades are faltering:

- Free trade.
- Governments that increasingly embraced market thinking and gave companies as much free space as possible.
- An almost all-encompassing focus on efficiency by the business community and governments who believed this was fine.

These pillars of global growth came with their fair share of drawbacks. New York Times correspondent Patricia Cohen described the negative sides for the US as follows:

“Television, T-shirts and tacos were cheaper than ever, but many essentials like healthcare, housing and higher education were increasingly out of reach.”

However, this trend of (out-of-control) deglobalisation and market thinking has been abruptly slowed down by, among other factors, the corona crisis, the Ukraine war and the rise of China. Professor of International Relations Henry Farrell argues that “the story of the international economy today is that geopolitics is gobbling up hyperglobalisation.”

The Chinese advance and the associated tensions with the US and its allies are undoubtedly the global political development that will most affect the global economy over the next few years – if only because America and China are by far the two largest economies in the world and China has accounted for roughly a quarter of the world's economic growth over the last two decades.

In recent years, relations between Beijing and Washington have cooled well below freezing point with, for example, the launch of a trade war under Donald Trump, China cutting off

direct military communications following Democratic figurehead Nancy Pelosi's visit to Taiwan and the shooting down of the Chinese spy balloon that flew over American soil. Visits by US Secretary of State Antony Blinken – during which he also spoke with Chinese leader Xi Jinping – and Treasury Secretary Janet Yellen seemed to clear the air somewhat.

However, the underlying sources of tension continue to amply fuel clashes and discord. For many issues, a compromise between Beijing and Washington seems very far away: Taiwan, the Ukraine war, technology, military activities in the Pacific, but also on Cuba, for example... These are all examples where there is unlikely to be much rapprochement between the two in the short to medium term.

In addition, until not so long ago, (very) high economic growth in America and especially in China was able to partly 'flatten' the competition and struggle between the two, in the sense that both countries benefitted from the design of the international economy and the political-economic system and were therefore not very keen on jeopardising this system; the pie got bigger and bigger and they both got bigger pieces (where the extra pie and whipped cream largely ended up in China's stomach, for that matter).

The US economy and US politics however, are running up against limits and obstacles that partly result from the design of the international political and economic order. The competitiveness of the US is crumbling, debts continue to increase (for the next ten years, a budget deficit of at least 5% is forecast every year), and nowhere near everyone benefits from America's enormous power.

Child poverty in America, for example, is twice as high as in Germany and South Korea, among other countries. Over 10% of Americans live below the US poverty line. And in 2018, over five million Americans had to make do with less than US\$4 a day (the equivalent of the figure used for poverty in developing countries).

Chinese growth has weakened considerably compared to recent decades, and it is likely to decline further towards 3.5% in the course of the decade. And we perceive quite a few risks of setbacks due to an ageing population, declining returns on investment (ROI) partly because investments are

bizarrely high in relation to the total economy, a massive debt burden, geopolitical tensions and a brake on innovation due to a progressively authoritarian course of Beijing, among other factors.

These developments mean that it may become more tempting for America, and especially for China, to rearrange the international political and economic order. Meanwhile, China will continue to close the gap with the US and will see increasing opportunities to challenge Washington's dominance.

Harvard professor Graham Allison introduced the term "Thucydides Trap", which refers to the theory that when a rising power challenges a ruling power, there will be an increased risk of conflict and war. He bases this insight on the work of the Greek historian Thucydides, who identified a pattern of conflict between rising and incumbent powers throughout history. Allison found that among 16 situations in the last five centuries in which the ruling power was challenged, 12 ended in war. The growing rivalry and tensions between the US and China therefore pose a considerable risk of conflict, with the very dark possibility of a direct military confrontation between two nuclear powers.

Yet, in our view the most likely scenario – in one of our recent research reports for our clients we outlined four scenarios – is still not all-out war but increasing trade and other conflicts and further decoupling between the two countries. Other Western countries will join the US in restricting trade with China, while China will stimulate its economy by placing greater emphasis on domestic consumption and trade with friendly regimes. While Brussels and Washington are currently insisting on derisking in particular – by reducing dependence on China and by becoming less dependent anyway on the supply of essential commodities and products by one or more countries – this scenario will see derisking alternating with decoupling, and there will be more bloc formation in the political, financial, economic and technological fields.

Both America and China will barely attempt to address the underlying causes of their animosity, but they will also be very reluctant to escalate their rivalry given the devastating consequences this will have. ■

#### INTERESTED IN OTHER MARKETS?

Go to [www.ecrresearch.com](http://www.ecrresearch.com) and request access to 18 different reports & services. Clear views, concrete market predictions, based on the world's leading research.

#### ANDY LANGENKAMP

Political Analyst  
+31 (0)30 232 8000  
[a.langenkamp@ecrresearch.com](mailto:a.langenkamp@ecrresearch.com)



Independent research on asset allocation, global financial markets, politics and FX & interest rates

treasurytoday.com

